



**AUDIT OF THE OFFICE ON VIOLENCE AGAINST  
WOMEN GRANTS AND COOPERATIVE AGREEMENT  
AWARDED TO THE NEW MEXICO COALITION OF  
SEXUAL ASSAULT PROGRAMS, INC.  
ALBUQUERQUE, NEW MEXICO**

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

Audit Report GR-60-14-001  
October 2013

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GRANTS AND COOPERATIVE AGREEMENT AWARDED TO  
THE NEW MEXICO COALITION OF SEXUAL ASSAULT  
PROGRAMS, INC.  
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**EXECUTIVE SUMMARY\***

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of three grants and one cooperative agreement totaling \$4,061,104 awarded by the Office on Violence Against Women (OVW) to the New Mexico Coalition of Sexual Assault Programs, Inc. (NMCSAP), as shown in Exhibit 1.

**EXHIBIT 1: GRANTS AND COOPERATIVE AGREEMENT AWARDED TO NMCSAP**

<b>AWARD NUMBER</b>	<b>AWARD DATE</b>	<b>PROJECT START DATE</b>	<b>PROJECT END DATE</b>	<b>AMOUNT</b>
2007-WR-AX-0085	09/10/2007	10/01/2007	09/30/2014	\$ 2,437,510
2010-WL-AX-0003	09/15/2010	10/01/2010	09/30/2015	988,000
2010-SW-AX-0026	09/21/2010	09/01/2010	08/31/2012	235,607
2011-EW-AX-K004 <sup>1</sup>	09/21/2011	10/01/2011	09/30/2014	399,987
<b>Total:</b>				<b>\$4,061,104</b>

Source: The Office of Justice Programs' (OJP) Grant Management System (GMS)

Created in 1995, OVW administers financial and technical assistance to communities across the country that are developing programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. NMCSAP, a private, non-profit organization, provides services to professionals (medical, mental health, law enforcement, and social services) that will assist them in offering appropriate services to victims of sexual abuse.<sup>2</sup>

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\* The Office of the Inspector General redacted portions of Appendix IV of this report because it contains information that may be protected by the Privacy Act of 1974, 5 U.S.C §552(a) or may implicate the privacy rights of identified individuals.

<sup>1</sup> Award Number 2011-EW-AX-K004 is a cooperative agreement.

<sup>2</sup> Statements of mission and intent regarding OVW and the NMCSAP have been taken from the agencies' website directly (unaudited).

The objective of the audit was to assess performance in the key areas of grant management that are applicable and appropriate for the grants and cooperative agreement under review. These areas included: (1) internal control environment, (2) drawdowns, (3) grant expenditures, (4) monitoring of subgrantees and contractors, (5) budget management and control, (6) financial status and progress reports, (7) program performance and accomplishments, and (8) post grant end-date activities. We determined that property management, program income, and special grant requirements were not applicable to these awards.

We tested compliance with what we consider to be the most important conditions of the grants and cooperative agreement. Unless otherwise stated in this report, the criteria we audit against are contained in the *OJP Financial Guide*, the *2012 OVW Financial Grants Management Guide*, and the award documentation.<sup>3</sup>

We examined NMCSAP's accounting records, financial and progress reports, and operating policies and procedures, and found:

- the appearance of conflicts of interests and that fair hiring and contracting practices were not followed;
- \$91,051 in unsupported excess drawdowns for Grant No. 2007-WR-AX-0085;
- \$690,782 in unallowable contract and subgrant expenditures for Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003;
- inadequate monitoring of contractors and subgrantees;
- inadequate controls over timesheets and verifications of employee time prior to payment;
- \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$9,154 in unsupported fringe benefit expenditures, and \$3,792 in unallowable fringe benefit

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<sup>3</sup> In February 2012, OVW issued the *2012 OVW Financial Grants Management Guide*, which is applicable to the grants and cooperative agreement audited in this report. The *2011 OJP Financial Guide* is applicable to the grants and cooperative agreement audited in this report, and the *OJP Financial Guide, October 2009* is applicable to Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026.

expenditures for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004;

- \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees for Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004;
- \$69,769 in unsupported other direct costs and \$46,253 in unallowable other direct costs for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004;
- expenditures were not properly authorized or accurately recorded and classified in the accounting records, receipts were not maintained, and general ledger entries were not detailed enough to trace expenditures to supporting documentation;
- Federal Financial Reports were not accurate and supporting documentation was not maintained;
- progress reports were not submitted timely, were generally not supported, and supporting documentation was not maintained; and
- Grant No. 2010-SW-AX-0026 was not closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.

This report contains 14 recommendations, which are detailed in the *Findings and Recommendations* section of this report. Our audit objectives, scope, and methodology are discussed in Appendix I.

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**INTRODUCTION\***

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of three grants and one cooperative agreement totaling \$4,061,104 awarded by the Office on Violence Against Women (OVW) to the New Mexico Coalition of Sexual Assault Programs, Inc. (NMCSAP), as shown in Exhibit 1.

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<b>Total:</b>				<b>\$4,061,104</b>

Source: The Office of Justice Programs' (OJP) Grant Management System (GMS)

**Background**

Created in 1995, OVW administers financial and technical assistance to communities across the country that are developing programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. OVW's stated mission is to provide federal leadership in developing the nation's capacity to reduce violence against women, and administer justice for and strengthen services to victims. Currently, OVW administers 3 formula-based and 18 discretionary grant programs, established under the *Violence Against Women Act* and subsequent legislation.

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<sup>1</sup> Award Number 2011-EW-AX-K004 is a cooperative agreement.

NMCSAP, a private, non-profit organization, was created to fulfill the requirements of the 1978 New Mexico Sexual Crimes Prosecution and Treatment Act. This act mandates that the state provide services to professionals (medical, mental health, law enforcement, and social services) that will assist them in offering appropriate services to victims of sexual abuse. This law outlines the necessity to provide ongoing training on a variety of sexual abuse topics. It also mandates the provision of sexual abuse evidence collection in order to offer victims the best possible prosecution of their cases. Additionally, the act provides for payment of all victims medical exams following an assault or the discovery of abuse. Additionally, NMCSAP provides child sexual abuse prevention projects in rural New Mexico, as well as, a Clearinghouse of literature and resources to assist professionals in New Mexico in the assessment, prosecution, and treatment of sexual abuse and assault cases.<sup>2</sup>

This audit includes three grants and one cooperative agreement made under OVW's discretionary grant programs.<sup>3</sup> Grant No. 2007-WR-AX-0085 was awarded under OVW's Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program (Rural Program). The Rural Program enhances the safety of children, youth, and adults who are victims of domestic violence, dating violence, sexual assault, and stalking by supporting projects uniquely designed to address and prevent these crimes in rural jurisdictions. The Rural Program encourages collaboration between victim advocates, law enforcement officers, pre-trial service personnel, prosecutors, judges and other court personnel, probation and parole officers, and faith- and/or community-based leaders to overcome the problems of domestic violence, dating violence, sexual assault, and stalking and ensure that victim safety is paramount in providing services to victims and their children.

Grant No. 2010-WL-AX-0003 was awarded under the Legal Assistance for Victims Grant Program (Legal Assistance Program). The Legal Assistance Program strengthens civil and criminal legal assistance for victims of sexual assault, stalking, domestic violence, and dating violence through innovative, collaborative programs. This program provides victims with representation and legal advocacy in family, immigration, administrative agency, or housing matters, protection or stay-away order proceedings, and other similar matters. The Legal Assistance Program increases the availability of civil and

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<sup>2</sup> Statements of mission and intent regarding OVW and the NMCSAP have been taken from the agencies' website directly (unaudited).

<sup>3</sup> For discretionary grant programs, OVW has the responsibility to create the program parameters, qualifications, eligibility, and deliverables.

criminal legal assistance in order to provide effective aid to victims who are seeking relief in legal matters arising because of abuse or violence.

Grant No. 2010-SW-AX-0026 was awarded under the State Coalitions Grant Program. Statewide sexual assault coalitions provide direct support to member rape crisis centers through funding, training and technical assistance, public awareness, and public policy advocacy. Grants to State Sexual Assault and Domestic Violence Coalitions Program funds may be used to coordinate state victim services activities; and collaborate and coordinate with federal, state, and local entities engaged in violence against women activities.

Finally, Cooperative Agreement No. 2011-EW-AX-K004 was awarded under OVW's Enhanced Training and Services to End Violence and Abuse of Women Later in Life Program (Later in Life Program). Recognizing that individuals who are 50 years of age or older who are victims of elder abuse, neglect, and exploitation, including domestic violence, dating violence, sexual assault, or stalking, face unique barriers to receiving assistance, Congress created the Later in Life Program. The Later in Life Program creates a unique opportunity for providing or enhancing training and services to address these problems for this specific audience.

### **Office of the Inspector General Audit Approach**

The objective of the audit was to assess performance in the key areas of grant management that are applicable and appropriate for the grants and cooperative agreement under review. These areas included: (1) internal control environment, (2) drawdowns, (3) grant expenditures, (4) monitoring of subgrantees and contractors, (5) budget management and control, (6) financial status and progress reports, (7) program performance and accomplishments, and (8) post grant end-date activities. We determined that property management, program income, and special grant requirements were not applicable to these awards.

We tested compliance with what we consider to be the most important conditions of the grants and cooperative agreement. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide*, the *2012 OVW Financial Grants Management Guide*, and the award documentation.<sup>4</sup> We tested NMCSAP's:

- **internal control environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard award funds and ensure compliance with the terms and conditions of the awards;
- **drawdowns** to determine whether drawdowns were adequately supported and if NMCSAP was managing award receipts in accordance with federal requirements;
- **award expenditures** to determine the accuracy and allowability of costs charged to the awards;
- **monitoring of subgrantees and contractors** to determine how NMCSAP administered and monitored contracted funds;
- **budget management and control** to determine NMCSAP's compliance with the costs approved in the award budgets;
- **Federal Financial Reports (FFR) and progress reports** to determine if the required reports were submitted in a timely manner and accurately reflect award activity;
- **program performance and accomplishments** to determine if NMCSAP is capable of meeting the award objectives; and
- **post award end-date activities** to determine if the awards which had reached their end date were appropriately closed.

The results of our analysis are discussed in detail in the *Findings and Recommendations* section of this report. Our audit objectives, scope, and methodology are discussed in Appendix I.

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<sup>4</sup> In February 2012, OVW issued the *2012 OVW Financial Grants Management Guide*, which is applicable to the grants and cooperative agreement audited in this report. The *2011 OJP Financial Guide* is applicable to the grants and cooperative agreement audited in this report, and the *OJP Financial Guide, October 2009* is applicable to Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026.

## FINDINGS AND RECOMMENDATIONS

We found NMCSAP did not comply with essential grant conditions in the areas of internal controls, grant expenditures, and financial and progress reporting. Most significantly, NMCSAP charged unallowable and unsupported costs to the grants and cooperative agreement, and for Grant No. 2010-SW-AX-0026 and Cooperative Agreement No. 2011-EW-AX-K004 we were unable to evaluate program performance and goal accomplishment. Based on our audit results, we make five recommendations to address dollar-related findings totaling \$1,347,153 and nine recommendations to improve the management of OVW grants.

### Prior Audits

The *Office of Management and Budget (OMB) Circular A-133* requires that non-federal entities that expend \$500,000 or more per year in federal funding have a single audit performed annually. We reviewed the two most recent single audits for NMCSAP, which were for fiscal years (FY) 2010 and 2011.

In the FYs 2010 and 2011 single audit reports, the independent auditors stated that NMCSAP did not design or implement an accounting framework sufficient to accurately record and present revenues, expenses, and related accounts in the financial statements according to U.S. Generally Accepted Accounting Principles. Also, the independent auditors stated that NMCSAP did not have suitable internal controls over disbursements of funds, and the support for some of the disbursements was not organized in a manner that is required for an audit. The independent auditors concluded that the material weaknesses in NMCSAP's internal controls caused significant doubt that all possible material misstatements could be detected by their audit procedures. Therefore, the independent auditors reported a disclaimer of opinion in both the FYs 2010 and 2011 single audit reports.

The independent auditors also identified 16 findings in the FYs 2010 and 2011 single audit reports; the following 15 findings, shown in Exhibit 2, were applicable to DOJ funds.

## EXHIBIT 2: SINGLE AUDIT FINDINGS RELATED TO DOJ FUNDS

SINGLE AUDIT FINDINGS RELATED TO DOJ FUNDS
<ul style="list-style-type: none"> <li>• <b>Internal Controls Over the General Ledger</b> - Numerous misstatements in the financial statements were identified and the auditor was unable to render an opinion.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve General Ledger Structure</b> - The structure of NMCSAP's general ledger hindered objective, independent reviews.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve Segregation of Duties and Establish Compensating Controls</b> - The Executive Director has numerous capabilities and no compensating controls were identified to mitigate the lack of segregation of duties.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve Controls Over Cash Assets</b> - Bank reconciliation is not formally reviewed by anyone beyond the person performing it. Checks were back-dated into a prior period after the bank reconciliation was completed.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve Controls Over Credit Cards</b> - Credit cards are paid by phone and reconciling support for credit card charges was difficult.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve Controls Over Disbursements and Recording Disbursements</b> - Controls over disbursements can be improved.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve Controls Over Travel Related Costs</b> - Reconciling specific travel expenses to the person traveling, the event they were attending, and the authorization for incurring the expense was difficult.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Cost Allocation Methodology</b> - NMCSAP does not have a systematic method to ensure indirect costs are equitably and consistently allocated to all awards and functions benefiting from the cost.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Recording and Support for Payroll Expense</b> - Timesheets maintained by employees indicate hours worked each day, but do not consistently indicate the employee's time charged to grants; timesheets are not signed by a person in a supervisory position; and a single individual may submit more than one timesheet for the same pay period without any reconciliation.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Recording and Support for Pension Expense</b> - NMCSAP charged amounts to grants for pension expense, however, NMCSAP does not have a qualified retirement plan in place, and the amounts were paid at the beginning of the year, rather than after employees' services had been provided.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Cash Management</b> - NMCSAP did not comply with federal grant cash management policies because funds were drawn-down in advance of need.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Subrecipient Monitoring</b> - NMCSAP does not have a monitoring plan to ensure subrecipients' programmatic and financial compliance of award requirements.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve Oversight of the Organization</b> - During FY 2010, the Board of Directors of met on two occasions and the minutes do not indicate approval of prior board meeting minutes, or any financial review. Turnover in terms of membership on the Board of Directors appears stagnant.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Annual Audit</b> - Prior to FY 2010, the most recent annual audit completed by NMCSAP was for the fiscal year ended June 30, 2004. It is not known if NMCSAP was required to have an audit per OMB A-133 for prior years; material adjustments were required for the fiscal year 2010 audit to comply with GAAP and therefore reliable information is not available to the auditor for prior years.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Formalized Data Backup Plan</b> - There is no uniform data backup of program data.</li> </ul>

Source: FYs 2010 and 2011 single audit reports

As the majority of the findings reported in the two most recent single audits were applicable to DOJ funds, we expanded testing in our review of grant and cooperative agreement expenditures. For the results of our

review of grant and cooperative agreement expenditures, see the *Expenditures* section of this report.

## **Internal Control Environment**

We reviewed NMCSAP's internal control environment, including procurement, receiving, and payment procedures; the payroll system; and monitoring of contractors and subgrantees to determine compliance with the terms and conditions of the grants and cooperative agreement, and to assess risk.

NMCSAP maintains its own policies and procedures. However, as discussed in the *Expenditures* section of this report, these controls were insufficient and not fully in practice. Specifically, in the *Other Direct Costs* section of this report we found that expenses were not documented as properly authorized, expenses were not accurately recorded and classified in the accounting records, receipts were not maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries were not detailed enough to trace expenses to supporting documentation. In our opinion, these deficiencies do not ensure adequate control of direct cost purchases and payments. We make an appropriate recommendation in the *Other Direct Costs* section of this report.

We reviewed NMCSAP payroll procedures and determined that employees are paid semi-monthly. According to NMCSAP officials, employees prepare and sign timesheets which are reviewed for accuracy by the Project Directors and Executive Director. At the time of our audit, staff members prepared a separate timesheet for each grant or project worked on for the pay period. Additionally, NMCSAP Fiscal Policies require copies of all timesheets to be maintained in the personnel file and that "No checks will be prepared without proper documentation (i.e. receipt, purchase order, sub-contract, time-sheet, etc.)." However, as discussed in the *Personnel Costs* section of this report, we identified salary payments that were not supported by timesheets, missing timesheets, instances in which timesheets were provided in Microsoft Excel with typed signatures, timesheets missing documentation of supervisory approval, and paychecks that were issued before the end of the pay period; therefore all hours could not have been verified before the paychecks were issued. In our opinion, these control deficiencies do not ensure an employee's time is supported, documented, and approved prior to payment. We make an appropriate recommendation in the *Personnel Costs* section of this report.

During our audit, we found that the Project Director for Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004

founded and is the President of a company which services include grant writing and grant management. The Project Director assisted in the grant applications for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026; and Cooperative Agreement No. 2011-EW-AX-K004. Further, the company's website states that for NMCSAP, the company's "staff works intimately with NMCSAP to help plan, coordinate and evaluate numerous award winning regional and statewide trainings." The *OJP Financial Guide* requires a grantee to identify any potential conflict of interest issues and disclose them to the awarding agency for specific guidance and advice. In our opinion, owning a company that provides grant writing and grant management services to NMCSAP, while also being a full-time employee of NMCSAP gives the appearance of a conflict of interest.

Additionally, when interviewing the Project Director for Grant No. 2007-WR-AX-0085, we learned that the spouses for both the Project Director and Project Assistant for this grant work together, which is how the Project Assistant learned of the open position. During the hiring process, the Project Director informed the Project Assistant that even though NMCSAP position would be part-time, it was possible for the Project Director to also hire the Project Assistant through the Project Director's company. Since 2005, the Project Assistant has worked for both the Project Director's company and NMCSAP. In our judgment, hiring the Project Assistant gave the appearance of a conflict of interest. In the *Personnel Costs* section of this report, we also identify deficiencies regarding the Project Assistant's compensation and make an appropriate recommendation.

In addition, in the *Contracts and Subgrants* section of this report, we also identified three contracts awarded to the Project Director's spouse for Grant No. 2007-WR-AX-0085; despite the fact that the Project Director is responsible for management and oversight of Grant No. 2007-WR-AX-0085. In addition, NMCSAP officials stated that the contract was not competitively bid. In our opinion, the non-competitive award of contracts to the Project Director's spouse gave the appearance of a conflict of interest.

Further, the contracting practices used to award contracts to the Project Director's spouse violated the *OMB Circular A-110*, as well as the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide*, which require all procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open, free, and fair competition. The recipient must be alert to organizational conflicts of interest, as well as, noncompetitive practices among contractors that may restrict or eliminate competition. Additionally, the *2012 OVW Financial Grants Management Guide* states "A recipient must notify OVW in writing of its decision to hire an individual to fill a grant-funded position, or to receive, or otherwise derive

direct financial gain from, a sub-grant or contract that is made with grant award funds, where the individual is either an immediate family member or business partner of an official or employee of the grantee.” Therefore, fair hiring and contracting practices were not followed in these instances. As a result, we recommend that OVW ensure NMCSAP develop policies and procedures to ensure conflicts of interests are avoided and fair hiring and contracting practices are followed.

Finally, NMCSAP’s policies and procedures did not provide any specific instruction for monitoring and oversight of contractors and subgrantees. However, NMCSAP officials stated that they work very closely with the contractors. In the *Contracts and Subgrants* section of this report, we identify deficiencies with NMCSAP’s monitoring of contractors and subgrantees and make an appropriate recommendation.

As a result of our review of NMCSAP’s policies and procedures, we expanded transaction testing to cover 289 direct cost transactions.

## **Drawdowns**

To determine the procedures for drawing down funds, we conducted interviews with NMCSAP officials and determined that the drawdowns are based on reimbursements. According to the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide*, recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within the next 10 days.

We analyzed Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004 to determine if the total actual costs recorded in the accounting records were equal to, or in excess of, the cumulative drawdowns as recorded by OVW, and have included the results of our analysis in Exhibit 3.

### EXHIBIT 3: ANALYSIS OF DRAWDOWNS

AWARD NUMBER	MOST RECENT DRAWDOWN	TOTAL AMOUNT DRAWN	TOTAL AMOUNT EXPENDED <sup>5</sup>	DIFFERENCE
2007-WR-AX-0085	10/05/2012	\$1,654,173	\$1,563,122	\$(91,051)
2010-WL-AX-0003	10/05/2012	422,170	433,441	11,271
2010-SW-AX-0026	09/14/2012	235,607	256,841	21,234
2011-EW-AX-K004	10/05/2012	71,545	75,435	3,890

Source: OVW and NMCSAP accounting records

As shown in Exhibit 3, NMCSAP was cumulatively overdrawn for Grant No. 2007-WR-AX-0085 by \$91,051. Additionally, our review of the accounting records found that NMCSAP has been overdrawn by varying amounts for the life of Grant No. 2007-WR-AX-0085. We discussed this discrepancy with NMCSAP officials who thought that the difference may be due to lump sum adjusting entries for salaries. However, we reviewed the accounting records for Grant No. 2007-WR-AX-0085 and found no evidence to support this assertion. We also reviewed NMCSAP's supporting documentation for 24 of the 26 drawdowns for Grant No. 2007-WR-AX-0085 and found that the documentation supported 9 individual drawdown amounts, but did not resolve the \$91,051 discrepancy. As a result, drawdowns exceeded expenditures for Grant No. 2007-WR-AX-0085 and we determined the \$91,051 in excess drawdowns made by NMCSAP officials to be unsupported. We recommend that OVW remedy the \$91,051 in unsupported excess drawdowns. Additionally, we recommend that OVW ensure that NMCSAP develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.

### Expenditures

As mentioned previously in the *Internal Control Environment* section of this report, due to internal control deficiencies, we reviewed 289 direct costs transactions to determine whether grant and cooperative agreement expenditures were allowable, reasonable, and in compliance with the terms and conditions of the awards.

### *Contracts and Subgrants*

NMCSAP awarded contracts and subgrants for Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003. According to NMCSAP officials, no contracts were awarded for Grant No. 2010-SW-AX-0026 or Cooperative Agreement No. 2011-EW-AX-K004. During our initial review of

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<sup>5</sup> This amount includes expenditures that took place in the 10 days immediately following the drawdown.

the contracts included in our transaction testing, we identified contracts that were not signed, marked “approved by phone,” marked “approved by email,” and appeared to have conflicts of interest. Therefore, we expanded testing and reviewed all contracts awarded by NMCSAP for Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003.

For Grant No. 2007-WR-AX-0085, we reviewed 32 contracts and 4 subgrants awarded to 25 contractors and 2 subgrantees. We identified 14 contracts and 4 subgrants that did not include signatures from the contractor or subgrantee. Additionally, we identified the appearance of a conflict of interest between NMCSAP and a contractor who is the spouse of NMCSAP Project Director for the grant. Overall, we identified unallowable questioned costs totaling \$673,484, related to 17 contracts and 4 subgrants, as shown in Exhibit 4.

**EXHIBIT 4: UNALLOWABLE CONTRACT AND SUBGRANT COSTS FOR GRANT NO. 2007-WR-AX-0085<sup>6</sup>**

<b>CONTRACT ISSUE</b>	<b>NUMBER OF QUESTIONED CONTRACTS</b>	<b>NUMBER OF QUESTIONED SUBGRANTS</b>	<b>UNALLOWABLE QUESTIONED COSTS</b>
Contracts did not include signatures from the contractor or sub grantee	14	4	\$ 633,553
Appearance of a conflict of interest between NMCSAP and contractor who is the spouse of a NMCSAP employee	3	-	39,932
<b>Total:</b>	<b>17</b>	<b>4</b>	<b>\$673,484</b>

Source: NMCSAP contracts, subgrants, and accounting records

For Grant No. 2010-WL-AX-0003, we reviewed 48 contracts awarded to 29 contractors. We identified two contracts marked “approved by phone” that were not signed by the contractor, two contracts marked “approved by email” that were not signed by the contractor, three contracts that included expenses that were not budgeted or approved in a Grant Adjustment Notice (GAN), and one contract that included expenses incurred before the contract was signed and provided to NMCSAP. Not all of these contracts resulted in unallowable questioned costs because expenses were not yet billed or charged to the grant. However, we identified unallowable questioned costs totaling \$17,298, related to 9 contracts, as shown in Exhibit 5.

<sup>6</sup> Throughout this report, differences in the total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

**EXHIBIT 5: UNALLOWABLE CONTRACT COSTS FOR  
GRANT NO. 2010-WL-AX-0003**

<b>CONTRACT ISSUE</b>	<b>NUMBER OF QUESTIONED CONTRACTS</b>	<b>UNALLOWABLE CONTRACT COSTS</b>
Expenses in excess of approved contract	5	\$ 9,078
Contract approved by phone	1	4,802
Expenses that were not budgeted or approved in a GAN	2	3,148 <sup>7</sup>
Expenses incurred before the contract was signed and provided to NMCSAP	1	270
<b>Total:</b>	<b>9</b>	<b>\$17,298</b>

Source: NMCSAP contracts and accounting records

The *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* require a grantees accounting system to be supported with source documentation, including contracts and subgrant award documentation. Therefore, we determined that expenses related to contracts that were not available are unsupported. The *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* also require a GAN to document any programmatic, administrative, or financial change, modification, adjustment, or correction associated with a grant award. This includes authorizing a subcontractor that was not identified in the original approved budget. For Grant No. 2010-WL-AX-0003, the appropriate GANs were not submitted, and we question the unapproved expenses as unallowable. Additionally, unsigned contracts and subgrants are not valid agreements. Contracts and subgrants should be signed by the contractor or subgrantee and NMCSAP to fully document the agreement between the parties. Therefore, we question the expenses related to contracts without signatures as unallowable. Expenses that are outside the terms of the contract, including those incurred before an approved contract or in excess of an approved contract are also unallowable.

Finally, the *OMB Circular A-110*, as well as the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* require all procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open, free, and fair competition. The recipient must be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition.

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<sup>7</sup> All expenses for these two contracts were questioned for expenses that were not budgeted or approved in a GAN. Further, we identified additional discrepancies with these contracts. For one contract, we identified an hourly rate of \$225 for preparing and conducting forensic interviews, which in our opinion is unreasonable. For the other contract, we identified \$164 in expenses that were incurred before the contract was awarded and signed.

Additionally, the *2012 OVW Financial Grants Management Guide* states "A recipient must notify OVW in writing of its decision to hire an individual to fill a grant-funded position, or to receive, or otherwise derive direct financial gain from, a sub-grant or contract that is made with grant award funds, where the individual is either an immediate family member or business partner of an official or employee of the grantee." During our audit, we identified three contracts awarded to the Project Director's spouse for Grant No. 2007-WR-AX-0085. The Project Director is responsible for providing management and oversight of Grant No. 2007-WR-AX-0085. NMCSAP officials stated that the contract was not competitively bid; however, they felt that the spouse was very qualified because he had advanced degrees in physics and had assisted with writing the grant application. Regardless of the contractor's high-level physics degrees and familiarity with the program from assisting with the grant application, because of the existing appearance of a conflict of interest between the contractor and the Project Director over the grant, for which we found no evidence that NMCSAP notified OVW of the possible conflict of interest, and the fact that the contracts were not competitively bid, we determined that these expenses were unallowable.

As a result of our review of NMCSAP contracts and subgrants awarded under Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003, we identified \$690,782 in unallowable contract and subgrant expenditures, which are detailed in Appendix III. Therefore, we recommend that OVW remedy the \$690,782 in unallowable contract and subgrant expenditures.

In addition to the questioned costs we identified in relation to NMCSAP contract and subgrant expenses, we found deficiencies with NMCSAP's monitoring of contractors and subgrantees. According to the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide*, direct recipients should monitor organizations under contract to ensure compliance with their overall financial management, as well as federal requirements. NMCSAP officials stated that they work very closely with the contractors. For Grant No. 2007-WR-AX-0085, NMCSAP officials stated that they monitored contractors through weekly reports, phone conversations, and site visits. For Grant No. 2010-WL-AX-0003, NMCSAP officials stated that they are in continuous contact with contractors regarding their activities and monitoring their work. However, as mentioned previously during our review of contracts, we noted deficiencies including contracts with missing signatures, expenses outside of the approved budget or contract, a missing contract, and the appearance of a conflict of interest. Additionally, when we requested the supporting documentation for some contract expenses, it was necessary for NMCSAP officials to obtain the documentation from the contractor because they had not received the support from the contractors previously. Therefore, in our opinion NMCSAP has not demonstrated

adequate monitoring of its contractors and subgrantees. We recommend that OVW ensure that NMCSAP develop policies and procedures for adequate monitoring of contractors and subgrantees.

*Personnel Costs*

We determined that NMCSAP paid \$54,683 in personnel expenses that were not supported by timesheets or for which timesheets were missing, as shown in Exhibit 6. These questioned costs are further detailed in Appendix III.

**EXHIBIT 6: UNSUPPORTED PERSONNEL COSTS**

<b>AWARD NUMBER</b>	<b>UNSUPPORTED COSTS</b>
2007-WR-AX-0085	\$ 28,055
2010-WL-AX-0003	2,605
2010-SW-AX-0026	15,744
2011-EW-AX-K004	8,279
<b>Total Unsupported Personnel Costs:</b>	<b>\$54,683</b>

Source: NMCSAP accounting records

In addition to expenses that were not supported by timesheets, we found instances in which timesheets were provided in Microsoft Excel with typed signatures, timesheets were missing documentation of supervisory approval, and paychecks were issued before the end of the pay period and therefore all hours could not have been verified before the paychecks were issued. In our opinion, these control deficiencies do not ensure an employee's time is supported, documented, and approved prior to payment. Therefore, we recommend that OVW ensure that NMCSAP develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period.

Additionally, we determined that NMCSAP paid \$5,730 to individuals for work that was not included in the approved grant and cooperative agreement budgets, as shown in Exhibit 7. These questioned costs are further detailed in Appendix III.

**EXHIBIT 7: UNALLOWABLE PERSONNEL COSTS**

<b>AWARD NUMBER</b>	<b>UNALLOWABLE COSTS</b>
2007-WR-AX-0085	-
2010-WL-AX-0003	\$ 1,150
2010-SW-AX-0026	4,580
2011-EW-AX-K004	-
<b>Total Unallowable Personnel Costs:</b>	<b>\$5,730</b>

Source: NMCSAP accounting records and OJP’s GMS

As mentioned previously, the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* require a GAN to document any programmatic, administrative, or financial change, modification, adjustment, or correction associated with a grant award. For Grant No. 2010-WL-AX-0003, an accountant position charged to the grant was not approved in the grant budget and an appropriate GAN was not submitted. Therefore, we question the costs associated with the position as unallowable.

For Grant No. 2010-SW-AX-0026, we reviewed the check and timesheet of a salary adjustment entry for the Executive Director’s pension. However, the amount paid was actually for “finances/program management” work paid at a \$50 hourly rate for the 3-month period of July through September 2011. In addition to this check, the Executive Director received semi-monthly paychecks during this 3-month period. Therefore, because a GAN was not submitted approving the additional work and higher pay rate, we question this expense as unallowable.

As shown in Exhibit 8, we determined that NMCSAP paid \$9,154 in fringe benefit expenses that were not supported. These questioned costs are further detailed in Appendix III.

**EXHIBIT 8: UNSUPPORTED FRINGE BENEFIT COSTS**

<b>AWARD NUMBER</b>	<b>UNSUPPORTED COSTS</b>
2007-WR-AX-0085	\$ 9,138
2010-WL-AX-0003	16
2010-SW-AX-0026	-
2011-EW-AX-K004	-
<b>Total Unsupported Fringe Benefit Costs:</b>	<b>\$9,154</b>

Source: NMCSAP accounting records

For Grant No. 2007-WR-AX-0085, the Project Director’s FICA payment was not supported by a timesheet. Therefore, the FICA expense was questioned as unsupported. Additionally, the Executive Director’s FICA payment for Grant No. 2010-WL-AX-0003 was not supported by a timesheet. Therefore, the FICA expense was questioned as unsupported.

Finally, we determined that NMCSAP paid \$3,792 in fringe benefit costs to individuals that were not included in the approved grant and cooperative agreement budgets, as shown in Exhibit 9. These questioned costs are further detailed in Appendix III.

**EXHIBIT 9: UNALLOWABLE FRINGE BENEFIT COSTS**

<b>AWARD NUMBER</b>	<b>UNALLOWABLE COSTS</b>
2007-WR-AX-0085	\$ 1,200
2010-WL-AX-0003	154
2010-SW-AX-0026	2,438
2011-EW-AX-K004	-
<b>Total Unallowable Fringe Benefit Costs:</b>	<b>\$3,792</b>

Source: NMCSAP accounting records and OJP's GMS

Health benefits for out-of-pocket health related expenses were paid directly to the Project Director. In response to the draft report, NMCSAP officials stated that, prior to 2013, it paid employees directly for out-of-pocket for health related cost if they had health insurance from another source. In addition, NMCSAP provided documentation supporting over \$1,200 in out-of-pocket health related expenses to the Project Director for Grant No. 2007-WR-AX-0085. However, while the approved grant budget included health insurance costs, the payment for out-of-pocket health related costs for an individual who had health insurance from another source was not approved in the grant budget. Therefore, based on the documentation provided in response to the draft report, we found that the \$1,200 paid to the Project Director for out-of-pocket health related costs is unallowable.

As mentioned previously, for Grant No. 2010-WL-AX-0003 an accountant position was not approved in the grant budget and an appropriate GAN was not submitted. Therefore, we question the related fringe benefits for this position as unallowable. Additionally, the grant budget did not approve the Executive Director's health insurance because this was covered by other grants. An appropriate GAN was not submitted; therefore, the Executive Director's health insurance expenses are questioned as unallowable.

For Grant No. 2010-SW-AX-0026, only the Executive Director was approved in the grant budget for health insurance and an appropriate GAN was not submitted for the other employees. Therefore, the remaining health insurance expenses for the unapproved employees were questioned as unsupported.

As a result of our review, we identified a total of \$73,359 in questioned costs related to payroll expenditures. Therefore, we recommend that OVW remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$9,154 in unsupported fringe benefit expenditures, and \$3,792 in unallowable fringe benefit expenditures.

In addition, during our review of payroll expenditures we found that the approved budgets for Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004 included personnel and fringe benefits for the Project Director and the Project Assistant. However, the budgets did not indicate whether the positions were part-time or full time. In our judgment, based on the FY 2013 salary breakdown by funding source provided by NMCSAP, the Project Director and Project Assistant were being paid what we consider full-time salaries for both Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004. In addition, the Project Director and Project Assistant were also being paid by a third funding source as early as 2009, based on invoices submitted by the Project Director and Project Assistant to NMCSAP. However, we determined that the Project Director and Project Assistant were not working full-time on either Grant No. 2007-WR-AX-0085 or Cooperative Agreement No. 2011-EW-AX-K004. Therefore, we reviewed all applicable payroll transactions for the Project Director and Project Assistant and questioned \$375,939 as unallowable compensation for multiple full-time salaries when the documentation provided did not support full-time work on either Grant No. 2007-WR-AX-0085 or Cooperative Agreement No. 2011-EW-AX-K004, which are detailed in Appendix III. We recommend that OVW remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees.

*Other Direct Costs*

In reviewing NMCSAP's other direct costs, we determined that NMCSAP paid \$69,769 in expenses that were not supported, as shown in Exhibit 10. These questioned costs are further detailed in Appendix III.

**EXHIBIT 10: UNSUPPORTED OTHER DIRECT COSTS**

<b>AWARD NUMBER</b>	<b>UNSUPPORTED COSTS</b>
2007-WR-AX-0085	\$ 56,294
2010-WL-AX-0003	1,500
2010-SW-AX-0026	11,975
2011-EW-AX-K004	-
<b>Total Unsupported Other Direct Costs:</b>	<b>\$69,769</b>

Source: NMCSAP accounting records

Additionally, we determined that NMCSAP paid \$46,253 in other direct costs that were not allowable in the approved budgets or by submission of appropriate GANs, as shown in Exhibit 11. These questioned costs are further detailed in Appendix III.

**EXHIBIT 11: UNALLOWABLE OTHER DIRECT COSTS**

<b>AWARD NUMBER</b>	<b>UNALLOWABLE COSTS</b>
2007-WR-AX-0085	\$ 37,508
2010-WL-AX-0003	1,836
2010-SW-AX-0026	6,643
2011-EW-AX-K004	266
<b>Total Unallowable Other Direct Costs:</b>	<b>\$46,253</b>

Source: NMCSAP accounting records and OJP's GMS

We recommend that OVW remedy the \$69,769 in unsupported other direct costs and \$46,253 in unallowable other direct costs.

During our review of other direct costs we also found the following control deficiencies:

- Supporting documentation did not indicate that expenditures were properly authorized by a grantee official with appropriate authority.
- Expenses were not accurately recorded and classified to the correct budget category in the accounting records.
- Receipts were not available for all grant and cooperative agreement purchased credit card transactions and NMCSAP's general ledger entries were not detailed enough to trace the expenditure to the specific supporting document.<sup>8</sup>

Therefore, we recommend that OVW ensure NMCSAP develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation.

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<sup>8</sup> In some instances, the expense was only titled "American Express."

## **Budget Management and Control**

For each grant and cooperative agreement, NMCSAP received an approved budget broken down by categories including Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, and Other. If changes are subsequently made, the *OJP Financial Guide* and the *2012 OVW Financial Grants Management Guide* require that the recipient initiate a GAN for budget modification if the proposed cumulative change is greater than 10 percent of the total award amount.

For Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004, we conducted detailed analysis of expenditures by budget category as identified by NMCSAP. We found that NMCSAP expenditures were within the 10 percent threshold allowed. Therefore, we make no recommendations in this area.

## **Reporting**

We reviewed the Federal Financial Reports (FFRs) and Categorical Assistance Progress Reports (progress reports) to determine if the required reports had been submitted accurately, and within the timeframes required by the *OJP Financial Guide* and the *2012 OVW Financial Grants Management Guide*.

### *Financial Reports*

The *OJP Financial Guide* and the *2012 OVW Financial Grants Management Guide* require that grant recipients report expenditures online using the SF-425 FFR no later than 30 days after the end of each calendar quarter. The final report must be submitted no later than 90 days following the end of the grant period. We evaluated the timeliness of the four most recent FFRs for each grant and cooperative agreement. As shown in Exhibit 12, we determined that 5 of 16 FFRs were submitted between 1 and 8 days late for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004.

## EXHIBIT 12: FEDERAL FINANCIAL REPORT HISTORY

REPORT NUMBER	REPORT PERIOD FROM – TO DATES	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
<b>GRANT No. 2007-WR-AX-0085</b>				
19	04/01/2012 - 06/30/2012	07/30/2012	07/31/2012	1
<b>GRANT No. 2010-WL-AX-0003</b>				
7	04/01/2012 - 06/30/2012	07/30/2012	07/31/2012	1
<b>GRANT No. 2010-SW-AX-0026</b>				
8	04/01/2012 - 06/30/2012	07/30/2012	07/31/2012	1
<b>COOPERATIVE AGREEMENT No. 2011-EW-AX-K004</b>				
1	10/01/2011 - 12/31/2011	01/30/2012	02/07/2012	8
3	04/01/2012 - 06/30/2012	07/30/2012	07/31/2012	1

Source: OJP's GMS, *OJP Financial Guide*, and *2012 OVW Financial Grants Management Guide*

We found that the FFRs were generally submitted timely. Therefore, we make no recommendation in this area.

We also reviewed financial reporting for accuracy. According to the *OJP Financial Guide* and the *2012 OVW Financial Grants Management Guide*, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period, including cumulative data, on each financial report. We evaluated the accuracy of FFRs for the last four quarters for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004. We found that the expenditures covering the FFRs' reporting periods were not supported by the general ledgers in 14 of the 16 FFRs we reviewed. We further determined that 15 of the 16 FFRs' cumulative expenditures were not supported by the general ledgers, as shown in Exhibit 13.

**EXHIBIT 13: FEDERAL FINANCIAL REPORT ACCURACY**

REPORT NUMBER	REPORT PERIOD FROM - TO DATES	CUMULATIVE EXPENDITURES PER FFR	CUMULATIVE EXPENDITURES PER ACCOUNTING RECORDS	CUMULATIVE DIFFERENCE BETWEEN FFRs & ACCOUNTING RECORDS
<b>GRANT No. 2007-WR-AX-0085</b>				
17	10/01/2011 - 12/31/2011	\$1,466,955	\$1,420,712	\$(46,242)
18	01/01/2012 - 03/31/2012	1,502,074	1,474,609	(27,466)
19	04/01/2012 - 06/30/2012	1,539,199	1,517,875	(21,324)
20	07/01/2012 - 09/30/2012	1,654,173	1,563,122	(91,051)
<b>GRANT No. 2010-WL-AX-0003</b>				
5	10/01/2011 - 12/31/2011	\$ 257,725	\$ 219,717	\$(38,007)
6	01/01/2012 - 03/31/2012	311,658	274,256	(37,402)
7	04/01/2012 - 06/30/2012	351,171	362,053	10,883
8	07/01/2012 - 09/30/2012	422,170	433,441	11,271
<b>GRANT No. 2010-SW-AX-0026</b>				
6	10/01/2011 - 12/31/2011	\$ 167,617	\$ 170,178	\$ 2,561
7	01/01/2012 - 03/31/2012	192,915	198,044	5,128
8	04/01/2012 - 06/30/2012	219,811	227,760	7,949
9	07/01/2012 - 08/31/2012	235,607	235,607	-
<b>COOPERATIVE AGREEMENT No. 2011-EW-AX-K004</b>				
1	10/01/2011 - 12/31/2011	\$ 2,453	\$ 3,110	\$ 657
2	01/01/2012 - 03/31/2012	5,479	6,136	657
3	04/01/2012 - 06/30/2012	42,399	45,474	3,075
4	07/01/2012 - 09/30/2012	173,714	75,435	(98,279)

Source: NMCSAP accounting records and OJP's GMS

Because NMCSAP uses accrual accounting, we recognize that the quarterly expenses reported on the FFRs may be different from what is reported on the general ledgers we obtained on October 30, 2012. Therefore, based on our analysis of the general ledgers, we also reviewed the supporting documentation maintained by NMCSAP, which included general ledger printouts at the time the FFRs were prepared. We found that NMCSAP supporting documentation and October 30, 2012, general ledgers supported 9 of the 16 FFRs. However, NMCSAP did not maintain supporting documentation for 4 FFRs, and the supporting documentation and October 30, 2012, general ledgers did not fully support 3 FFRs. Therefore, we recommend that OVW ensure that NMCSAP develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support FFRs.

## Progress Reports

According to the *OJP Financial Guide* and the *2012 OVW Financial Grants Management Guide*, progress reports are due semiannually on January 30 and July 30 for the life of the award. To verify the timely submission of progress reports, we reviewed the last four progress reports submitted for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and the last two progress reports for Cooperative Agreement No. 2011-EW-AX-K004. As shown in Exhibit 14, we identified discrepancies related to Grant No. 2010-SW-AX-0026.

### EXHIBIT 14: PROGRESS REPORT HISTORY

REPORT NUMBER	REPORT PERIOD FROM - TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
<b>GRANT No. 2010-SW-AX-0026</b>				
1	07/01/2010 - 12/31/2010	01/30/2011	03/30/2011	59
3	07/01/2011 - 12/31/2011	01/30/2012	02/08/2012	9
4	01/01/2012 - 06/30/2012	07/30/2012	09/06/2012	38

Source: OJP's GMS, *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide*

As shown above, 3 of the 14 progress reports were submitted between 9 and 59 days late. Therefore, we recommend that OVW ensure that NMCSAP develop policies and procedures to ensure timely submissions of progress reports.

We also reviewed the progress reports for accuracy. According to the *OJP Financial Guide* and the *2012 OVW Financial Grants Management Guide*, the funding recipient agrees to collect data appropriate for facilitating reporting requirements established by Public Law 103-62 for the *Government Performance and Results Act*. The funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information reported, we selected a sample of statistical data from the last two progress reports (periods ending December 31, 2011, and June 30, 2012) for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026. For Cooperative Agreement No. 2011-EW-AX-K004, we did not review the progress reports because no statistical data had been reported in the last two reports.

For Grant No. 2007-WR-AX-0085, we requested verification in areas concerning: (1) training events provided, including the number and types of people trained; (2) education events provided, including the number and types of people educated with Rural Program funds; (3) number of victims

served and partially served; (4) number of secondary victims served; (5) number and types of victim services provided; (6) number of hotline calls; and (7) number of victim-witness notifications and outreach to victim/survivors. We found that the documentation provided by NMCSAP generally did not support the claims made on the progress reports. Specifically, for the progress report ending December 31, 2011, we found that of the 9 items reviewed, 8 items were not supported by documentation maintained by NMCSAP. Additionally, of the 8 items reviewed for the progress report ending June 30, 2012, we found 7 items were not supported by documentation maintained by NMCSAP.

For Grant No. 2010-WL-AX-0003, we requested verification in areas concerning: (1) training events provided, including the number and types of people trained; (2) number of victims served, partially served, and victims/survivors seeking services who were not served; (3) number and types of victim services provided by lawyers; and (4) number and types of legal issues addressed by grant-funded staff. We found that the documentation provided by NMCSAP generally did not support the claims made on the progress reports. Of the 24 facts reviewed for the progress report ending December 31, 2011, we found that 15 facts were not supported by the documentation provided and for the 9 facts that were supported, 7 of these facts reported no activity. Additionally, of the 24 facts reviewed for the progress report ending June 30, 2012, we found that 19 facts were not supported by the documentation provided and for the 5 facts that were supported, 4 of these facts reported no activity. NMCSAP officials stated that variances in the progress report information reflects data that occurred after the progress report was issued.

For Grant No. 2010-SW-AX-0026, we requested verification in areas concerning: (1) number and types of coalition members; and (2) training events provided, including the number and types of people trained. We determined that none of the claims for the items reviewed were supported by the documentation provided by NMCSAP for either progress reports ending December 31, 2011, and June 30, 2012.

In summary, we determined that progress reports were generally not supported and we recommend that OVW ensure that NMCSAP develop policies and procedures to maintain accurate supporting documents for information reported in progress reports at the time the progress report is completed.

## Program Performance and Accomplishments

The purpose of the grants and cooperative agreement awarded to NMCSAP is dependent upon the program. As previously noted, NMCSAP received grants and a cooperative agreement under OVW's Rural Program, Legal Assistance Program, State Coalitions Grant Program, and Later in Life Program. In order to assess program performance and accomplishments, we requested that NMCSAP provide evidence demonstrating that the goals and objectives of the awards had been met, or are sufficiently in progress. The goals identified by NMCSAP were as follows:

- Grant No. 2007-WR-AX-0085: (1) Enhance the safety of children, youth, and adult victims of sexual assault, dating violence, stalking, and child victimization by supporting a regionally based design to address and prevent sexual assault and child abuse in New Mexico with special emphasis on Catron, Grant, Hidalgo, Luna, McKinley, and Rio Arriba counties. (2) Expand existing and develop additional victim service programs to meet the needs of child, youth, and adult sexual assault, dating violence, stalking, and child abuse victims. (3) Increase the safety of children, youth, and adults in rural New Mexico communities by creating and implementing strategies to increase awareness and prevention of sexual assault and child abuse in New Mexico with special emphasis on Catron, Grant, Hidalgo, Luna, McKinley, and Rio Arriba counties.
- Grant No. 2010-WL-AX-0003: (1) Legal screening and referral services for survivors in all rape crisis centers and coordinator sites in New Mexico. (2) Legal advising and referral services to survivors in un-served areas of the state and who do not access services of rape crisis centers. (3) Increase and enhance attorney services to survivors through free Continuing Legal Education training in exchange for pro bono service from the private bar, low bono contracts, and project attorneys providing direct legal services. (4) Identify existing legal resources for referral. (5) Confidentiality training for rape crisis center staff and coordinators in New Mexico.
- Grant No. 2010-SW-AX-0026: (1) Increase the skill level and morale of professional staff that provide services to victims of sexual violence. (2) To participate in national meetings, trainings, and collaborations supported by OVW. (3) Ensure the continuation of NMCSAP activities on a statewide basis providing the most current policy, legislation, funding, and information related to

sexual violence. (4) Ensure persons with physical disabilities accessibility to NMCSAP services and committees. (5) Enhance, inspire, and connect the sexual assault service programs in New Mexico.

- Cooperative Agreement No. 2011-EW-AX-K004: (1) Enhance criminal justice professionals, governmental agency staff, law enforcement, and victim assistant's systematic responses to elder abuse, exploitation, and neglect in New Mexico. (2) Increase the number of seniors who are victims of sexual assault, domestic violence, dating violence, and stalking who receive linguistically and culturally appropriate services in New Mexico.

For Grant No. 2007-WR-AX-0085, in addition to progress reports, NMCSAP provided documentation including training events, radio advertisements, and data collection. As mentioned previously, during our review of progress reports, we found that progress reports were generally not supported. However, by reviewing the additional supporting documentation along with the information in the progress reports, we concluded that there was no indication that NMCSAP is not on track to complete the goals and objectives.

For Grant No. 2010-WL-AX-0003, in addition to progress reports, NMCSAP provided training evaluations and feedback documentation, and contracts issued under Grant No. 2010-WL-AX-0003. As mentioned previously, during our review of progress reports, we found that progress reports were generally not supported. However, by reviewing training evaluations, feedback, and progress reports, including item 13 which we found unsupported during our progress report review, we were able to verify program performance and concluded that there was no indication that NMCSAP is not on track to complete the grant's goals and objectives.

For Grant No. 2010-SW-AX-0026, aside from progress reports, we did not receive any additional documentation from NMCSAP to verify program performance and accomplishment of goals and objectives. As mentioned previously, during our review of progress reports for Grant No. 2010-SW-AX-0026, we found that none of the claims for the items reviewed were supported. Therefore, we were unable to rely on the accuracy of the progress report information to evaluate program performance. By reviewing the expenditures in the general ledger, we were able to confirm progress in the following objectives:

- provide travel and registration scholarships;

- provide travel and registration to the Executive Director and Statewide Sexual Assault Services Coordinator;
- pay 75 percent of the Executive Director's salary;
- pay the increased rent on the first floor office space; and
- pay 38 percent of the Statewide Sexual Assault Services Coordinator's salary.

However, we were still unable to evaluate program performance and goal accomplishment.

For Cooperative Agreement No. 2011-EW-AX-K004, the special conditions explain that there are two phases for this agreement, planning and implementation. During the Planning Phase, NMCSAP officials were required to attend training prior to implementing the program. In the Implementation Phase, NMCSAP could begin implementing outreach and delivery of services to older victims, but only upon completion of the Planning Phase. NMCSAP officials explained that it was too early to evaluate goals, objectives, and program performance because staff members are still attending training for this cooperative agreement. Our review of expenditures concurred with NMCSAP's explanation, because most of the expenses we identified were for travel and trainings. Therefore, we did not review program performance for Cooperative Agreement No. 2011-EW-AX-K004.

Overall, for Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003 NMCSAP officials were able to support their claims of achievement pertaining to the goals stated above and we found no indication that NMCSAP would be unable to meet current or future objectives of the award programs. However, for Grant No. 2010-SW-AX-0026 and Cooperative Agreement No. 2011-EW-AX-K004 we were unable to evaluate program performance and goal accomplishment.

### **Closeout Activity**

According to the *2012 OVW Financial Grants Management Guide*, all recipients must submit, within 90 days after the end date of the award, all financial, performance, and other reports that are required by the terms and conditions of the award. We determined that one of the grants in this audit has reached the closeout date. Exhibit 15 shows the closeout status for Grant No. 2010-SW-AX-0026.

## EXHIBIT 15: CLOSEOUT STATUS

AWARD NUMBER	PROJECT START DATE	PROJECT END DATE	PROJECT CLOSEOUT DATE	CLOSEOUT STATUS PER OJP'S GMS
2010-SW-AX-0026	09/01/2010	08/31/2012	11/29/2012	Submitted

Source: OJP's GMS

Even though the closeout status on OJP's GMS showed "Submitted," we found that the closeout requirements were incomplete as of March 4, 2013. Specifically, NMCSAP was incomplete for two requirements, submission of the final progress report and submission of programmatic requirements certification. Therefore, we concluded that NMCSAP did not fulfill the requirements for the closeout of Grant No. 2010-SW-AX-0026, and we recommend that OVW coordinate with NMCSAP to ensure grants are closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.

### Conclusion

The purpose of this audit was to determine whether reimbursements claimed for costs under the grants and cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, terms and conditions of the awards, and to determine program performance and accomplishments. We examined NMCSAP's accounting records, financial and progress reports, and operating policies and procedures, and found:

- the appearance of conflicts of interests and that fair hiring and contracting practices were not followed;
- \$91,051 in unsupported excess drawdowns for Grant No. 2007-WR-AX-0085;
- \$690,782 in unallowable contract and subgrant expenditures for Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003;
- inadequate monitoring of contractors and subgrantees;
- inadequate control over timesheets and verifications of employee time prior to payment;
- \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$9,154 in unsupported fringe benefit expenditures, and \$3,792 in unallowable fringe benefit

expenditures for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004;

- \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees for Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004;
- \$69,769 in unsupported other direct costs and \$46,253 in unallowable other direct costs for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004;
- expenditures were not properly authorized or accurately recorded and classified in the accounting records, receipts were not maintained, and general ledger entries were not detailed enough to trace expenditures to supporting documentation;
- FFRs were not accurate and supporting documentation was not maintained;
- progress reports were not submitted timely, were generally not supported, and supporting documentation was not maintained; and
- Grant No. 2010-SW-AX-0026 was not closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.

## **Recommendations**

We recommend that OVW coordinate with NMCSAP to:

1. Develop policies and procedures to ensure conflicts of interests are avoided and fair hiring and contracting practices are followed.
2. Remedy the \$91,051 in unsupported excess drawdowns.
3. Develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.

4. Remedy the \$690,782 in unallowable contract and subgrant expenditures.<sup>9</sup>
5. Develop policies and procedures for adequate monitoring of contractors and subgrantees.
6. Develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period.
7. Remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$9,154 in unsupported fringe benefit expenditures, and \$3,792 in unallowable fringe benefit expenditures.<sup>10</sup>
8. Remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees.
9. Remedy the \$69,769 in unsupported other direct costs and \$46,253 in unallowable other direct costs.<sup>11</sup>
10. Develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general

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<sup>9</sup> In the draft report, we also recommended that OVW remedy \$2,688 in unsupported contract expenditures. In its response to the draft report, the NMSCAP provided documentation sufficient to remedy the \$2,688. We updated the report and this recommendation to reflect the fact that the \$2,688 is supported.

<sup>10</sup> In the draft report, we recommended that OVW remedy \$10,354 in unsupported fringe benefit expenditures and \$2,592 in unallowable fringe benefit expenditures. In its response to the draft report, the NMCSAP provided documentation supporting \$1,200 of the unsupported health benefits paid to the Project Director. However, the \$1,200 paid to the Project Director was for out-of-pocket health related costs, which is unallowable. We updated the report and this recommendation to reflect the fact that unsupported fringe benefits decreased by \$1,200, but unallowable fringe benefit costs were increased by \$1,200.

<sup>11</sup> In the draft report, we recommended that OVW remedy \$92,920 in unsupported grant expenditures. In its response to the draft report, the NMSCAP provided documentation sufficient to remedy \$23,151 of the \$92,920. We updated the report and this recommendation to reflect the new amount.

ledger entries are detailed enough to trace expenditures to supporting documentation.

11. Develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support FFRs.
12. Develop policies and procedures to ensure timely submissions of progress reports.
13. Develop policies and procedures to maintain accurate supporting documents for information reported in progress reports at the time the progress report is completed.
14. Ensure grants are closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.

## APPENDIX I

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to assess performance in the key areas of grant management that are applicable and appropriate for the grants and cooperative agreement under review. These areas included: (1) internal control environment, (2) drawdowns, (3) grant expenditures, (4) monitoring of subgrantees and contractors, (5) budget management and control, (6) financial status and progress reports, (7) program performance and accomplishments, and (8) post grant end-date activities. We determined that property management, program income, and special grant requirements were not applicable to these awards.

We tested compliance with what we consider to be the most important conditions of the grants and cooperative agreement. Unless otherwise stated in this report, the criteria we audit against are contained in the *OJP Financial Guide*, the *2012 OVW Financial Grants Management Guide*, and the award documentation.<sup>12</sup>

Our audit concentrated on, but was not limited to, September 10, 2007, the award date for Grant No. 2007-WR-AX-0085, to October 30, 2012, the date the most recent FFR was submitted. This was an audit of OVW Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004. NMCSAP has drawn a total of \$2,383,496 in grant and cooperative agreement funds as of November 6, 2012.

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.

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<sup>12</sup> In February 2012, OVW issued the *2012 OVW Financial Grants Management Guide*, which is applicable to the grants and cooperative agreement audited in this report. The *2011 OJP Financial Guide* is applicable to the grants and cooperative agreement audited in this report, and the *OJP Financial Guide, October 2009* is applicable to Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026.

In conducting our audit, we performed sample testing in three areas, which were grant and cooperative agreement expenditures (including personnel expenditures), financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed, such as dollar amounts, expenditure category, or risk. However, this non-statistical sample design does not allow a projection of the test results for all grant and cooperative agreement expenditures or internal controls and procedures.

In addition, we evaluated internal control procedures, drawdowns, monitoring of subgrantees and contractors, budget management and controls, program performance and accomplishments, and closeout activity. 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.

## APPENDIX II

### SCHEDULE OF DOLLAR-RELATED FINDINGS

DESCRIPTION	AMOUNT	PAGE
Questioned Costs <sup>13</sup>		
Unallowable Contracts and Subgrants:	\$690,782	14
Unallowable Compensation:	\$375,939	18
Unallowable Other Direct Costs:	\$46,253	19
Unallowable Personnel:	\$5,730	15
Unallowable Fringe Benefits:	\$3,792	17
<i>Total Unallowable:</i>	<i>\$1,122,496</i>	
Unsupported Drawdowns:	\$91,051	11
Unsupported Other Direct Costs:	\$69,769	18
Unsupported Personnel:	\$54,683	15
Unsupported Fringe Benefits:	\$9,154	16
<i>Total Unsupported:</i>	<i>\$224,657</i>	
<i>Total (Gross):</i>	<i>\$1,347,153</i>	
Less Duplication <sup>14</sup> :	<i>(\$74,225)</i>	
<b>Net Questioned Costs:</b>	<b>\$1,272,928</b>	

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<sup>13</sup> **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

<sup>14</sup> Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount.

## APPENDIX III

### QUESTIONED COST DETAILS<sup>15</sup>

#### UNALLOWABLE CONTRACT AND SUBGRANT COSTS

AWARD NUMBER	CONTRACTOR OR SUBGRANTEE	UNALLOWABLE COSTS
2007-WR-AX-0085	LP	\$ 292,252
2007-WR-AX-0085	SASNWNM	282,910
2007-WR-AX-0085	FF	39,932
2007-WR-AX-0085	JJ	23,559
2007-WR-AX-0085	HCSATS	11,950
2007-WR-AX-0085	EWD	11,095
2007-WR-AX-0085	JB	3,379
2007-WR-AX-0085	TLPI	3,293
2007-WR-AX-0085	SH	1,912
2007-WR-AX-0085	EP	1,300
2007-WR-AX-0085	LL	750
2007-WR-AX-0085	JS	652
2007-WR-AX-0085	MV	500
2010-WL-AX-0003	SG	8,973
2010-WL-AX-0003	MC	4,802
2010-WL-AX-0003	BHI	2,023
2010-WL-AX-0003	SM	1,125
2010-WL-AX-0003	SB	270
2010-WL-AX-0003	JV	105
<b>Total Unallowable Contract and Subgrant Costs:</b>		<b>\$690,782</b>

Source: NMCSAP contracts, subgrants, and accounting records

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<sup>15</sup> Proper names and the names of contractors and subgrantees have been abbreviated to use their initials. Additionally, differences in the total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

## UNSUPPORTED PERSONNEL COSTS

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNSUPPORTED COSTS
2007-WR-AX-0085	09/01/2009	MD	\$ 2,784
2007-WR-AX-0085	09/29/2009	KB	1,652
2007-WR-AX-0085	09/29/2009	MD	2,784
2007-WR-AX-0085	10/14/2009	MD	2,083
2007-WR-AX-0085	12/11/2009	KB	1,250
2007-WR-AX-0085	02/25/2010	MD	2,083
2007-WR-AX-0085	05/06/2010	KB	1,250
2007-WR-AX-0085	07/15/2010	KB	1,252
2007-WR-AX-0085	08/15/2010	MD	2,083
2007-WR-AX-0085	11/15/2010	KB	1,250
2007-WR-AX-0085	02/10/2011	MD	2,083
2007-WR-AX-0085	04/29/2011	KB	1,250
2007-WR-AX-0085	09/15/2011	MD	2,083
2007-WR-AX-0085	09/07/2012	MD	2,083
2007-WR-AX-0085	09/21/2012	MD	2,083
2010-WL-AX-0003	12/20/2010	JK	625
2010-WL-AX-0003	04/29/2011	TA	1,350
2010-WL-AX-0003	10/14/2011	KA	210
2010-WL-AX-0003	11/15/2011	KA	210
2010-WL-AX-0003	03/20/2012	KA	210
2010-SW-AX-0026	07/15/2010	KA	2,006
2010-SW-AX-0026	12/07/2010	KA	2,006
2010-SW-AX-0026	05/15/2011	KA	2,006
2010-SW-AX-0026	07/31/2011	State of New Mexico: BHSD (NM)	1,085
2010-SW-AX-0026	09/15/2011	KA	2,089
2010-SW-AX-0026	12/31/2011	KH	1,085
2010-SW-AX-0026	02/07/2012	KA	2,089
2010-SW-AX-0026	05/22/2012	KH	1,085
2010-SW-AX-0026	07/24/2012	KA	2,292
2011-EW-AX-K004	05/15/2012	MD	1,195
2011-EW-AX-K004	07/05/2012	MD	1,042
2011-EW-AX-K004	08/07/2012	MD	1,042
2011-EW-AX-K004	08/09/2012	KB	833
2011-EW-AX-K004	08/09/2012	MD	1,042
2011-EW-AX-K004	08/23/2012	MD	1,042
2011-EW-AX-K004	09/07/2012	MD	1,042
2011-EW-AX-K004	09/21/2012	MD	1,042
<b>Total Unsupported Personnel Costs:</b>			<b>\$54,683</b>

Source: NMCSAP accounting records

### UNALLOWABLE PERSONNEL COSTS

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNALLOWABLE COSTS
2010-WL-AX-0003	07/24/2012	CW	\$ 383
2010-WL-AX-0003	08/09/2012	CW	192
2010-WL-AX-0003	08/23/2012	CW	192
2010-WL-AX-0003	09/07/2012	CW	192
2010-WL-AX-0003	09/21/2012	CW	192
2010-SW-AX-0026	10/04/2011	NM Coalition	4,580
<b>Total Unallowable Personnel Costs:</b>			<b>\$5,730</b>

Source: NMCSAP accounting records and OJP's GMS

### UNSUPPORTED FRINGE BENEFIT COSTS

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNSUPPORTED COSTS
2007-WR-AX-0085	04/04/2011	MD	\$ 6,966
2007-WR-AX-0085	12/05/2011	MD	2,172
2010-WL-AX-0003	02/28/2012	State of New Mexico: BHSD (NM)	16
<b>Total Unsupported Fringe Benefit Costs:</b>			<b>\$9,154</b>

Source: NMCSAP accounting records

### UNALLOWABLE FRINGE BENEFIT COSTS

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNALLOWABLE COSTS
2007-WR-AX-0085	10/07/2009	MD	\$ 1,200
2010-WL-AX-0003	02/01/2011	United Healthcare Insurance Co.	56
2010-WL-AX-0003	07/24/2012	CW	30
2010-WL-AX-0003	07/24/2012	CW	3
2010-WL-AX-0003	08/09/2012	CW	15
2010-WL-AX-0003	08/09/2012	CW	2
2010-WL-AX-0003	08/23/2012	CW	15
2010-WL-AX-0003	08/23/2012	CW	2
2010-WL-AX-0003	09/07/2012	CW	15
2010-WL-AX-0003	09/07/2012	CW	2
2010-WL-AX-0003	09/21/2012	CW	15
2010-WL-AX-0003	09/21/2012	CW	2
2010-SW-AX-0026	01/01/2011	United Healthcare Insurance Co.	2,438
<b>Total Unallowable Fringe Benefit Costs:</b>			<b>\$3,792</b>

Source: NMCSAP accounting records and OJP's GMS

## UNALLOWABLE COMPENSATION

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNALLOWABLE COSTS
2007-WR-AX-0085	06/30/2009 – 9/21/2012	KB	\$ 139,997
2007-WR-AX-0085	06/30/2009 – 9/21/2012	MD	235,942
<b>Total Unallowable Compensation Costs:</b>			<b>\$375,939</b>

Source: NMCSAP accounting records

## UNSUPPORTED OTHER DIRECT COSTS

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNSUPPORTED COSTS
2007-WR-AX-0085	03/19/2008	MD	\$ 2,497
2007-WR-AX-0085	08/25/2009	American Express	25,049
2007-WR-AX-0085	10/29/2009	KA	4,000
2007-WR-AX-0085	11/01/2009	KA	4,000
2007-WR-AX-0085	11/13/2009	KA	5,000
2007-WR-AX-0085	10/06/2010	KA	8,704
2007-WR-AX-0085	12/22/2010	MD	7,043
2010-WL-AX-0003	07/18/2012	JV	1,500
2010-SW-AX-0026	12/31/2010	EB	77
2010-SW-AX-0026	02/28/2011	American Express	380
2010-SW-AX-0026	08/08/2011	Airlines	401
2010-SW-AX-0026	08/31/2011	Community Against Violence	584
2010-SW-AX-0026	10/13/2011	Great Lakes Aviation	234
2010-SW-AX-0026	10/28/2011	American Artists Gallery House B&B	1,609
2010-SW-AX-0026	11/10/2011	Restaurants	201
2010-SW-AX-0026	11/14/2011	DR	387
2010-SW-AX-0026	11/14/2011	LB	52
2010-SW-AX-0026	11/15/2011	KA	66
2010-SW-AX-0026	12/13/2011	Amiga Bookkeeping, LLC	1,712
2010-SW-AX-0026	02/16/2012	Southwest Airlines	222
2010-SW-AX-0026	02/16/2012	Southwest Airlines	127
2010-SW-AX-0026	03/05/2012	All World Travel	284
2010-SW-AX-0026	03/30/2012	MP	149
2010-SW-AX-0026	07/13/2012	Southwest Airlines	824
2010-SW-AX-0026	08/01/2012	Southwest Airlines	387
2010-SW-AX-0026	08/06/2012	Hotel	186
2010-SW-AX-0026	08/06/2012	Hotel	218
2010-SW-AX-0026	08/08/2012	Hotel	220
2010-SW-AX-0026	08/08/2012	Hotel	220
2010-SW-AX-0026	08/08/2012	Hotel	218
2010-SW-AX-0026	08/08/2012	Hotel	184
2010-SW-AX-0026	08/08/2012	Hotel	215
2010-SW-AX-0026	08/08/2012	Hotel	214
2010-SW-AX-0026	08/08/2012	Hotel	5
2010-SW-AX-0026	08/08/2012	Hotel	5
2010-SW-AX-0026	08/21/2012	Hotel	372
2010-SW-AX-0026	08/22/2012	Hotel	662
2010-SW-AX-0026	08/22/2012	Hotel	440
2010-SW-AX-0026	08/22/2012	Hotel	440

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNSUPPORTED COSTS
2010-SW-AX-0026	08/22/2012	Hotel	440
2010-SW-AX-0026	08/22/2012	Hotel	2
2010-SW-AX-0026	08/26/2012	Hotel	898
2010-SW-AX-0026	09/08/2012	Hotel	(218)
2010-SW-AX-0026	08/30/2012	Hotel	(220)
2010-SW-AX-0026	09/04/2012	Hotel	(220)
<b>Total Unsupported Other Direct Costs:</b>			<b>\$69,769</b>

Source: NMCSAP accounting records

### UNALLOWABLE OTHER DIRECT COSTS

AWARD NUMBER	TRANSACTION DATE	TRANSACTION DESCRIPTION	UNALLOWABLE COSTS
2007-WR-AX-0085	09/01/2009	KA	\$ 2,400
2007-WR-AX-0085	09/29/2009	KA	4,000
2007-WR-AX-0085	09/30/2009	KA	4,200
2007-WR-AX-0085	10/19/2009	MD	4,500
2007-WR-AX-0085	10/29/2009	KA	4,000
2007-WR-AX-0085	11/01/2009	KA	4,000
2007-WR-AX-0085	11/13/2009	KA	5,000
2007-WR-AX-0085	11/13/2009	KA	704
2007-WR-AX-0085	10/06/2010	KA	8,704
2010-WL-AX-0003	11/08/2010	El Paso Times	594
2010-WL-AX-0003	03/15/2011	Southwest Cyberport	35
2010-WL-AX-0003	04/04/2011	American Express	3
2010-WL-AX-0003	12/12/2011	Far West Video	241
2010-WL-AX-0003	01/11/2012	Far West Video	562
2010-WL-AX-0003	01/12/2012	Far West Video	80
2010-WL-AX-0003	06/14/2012	Southwest Cyberport	121
2010-WL-AX-0003	07/16/2012	Southwest Cyberport	121
2010-WL-AX-0003	08/16/2012	Southwest Cyberport	78
2010-SW-AX-0026	09/30/2010	American Express	147
2010-SW-AX-0026	10/04/2010	NM Gas Co	18
2010-SW-AX-0026	10/04/2010	PNM	97
2010-SW-AX-0026	10/25/2010	American Express	147
2010-SW-AX-0026	11/29/2010	American Express	147
2010-SW-AX-0026	12/31/2010	American Express	147
2010-SW-AX-0026	12/31/2010	EB	160
2010-SW-AX-0026	01/06/2011	NM Gas Co	164
2010-SW-AX-0026	01/06/2011	PNM	46
2010-SW-AX-0026	01/25/2011	American Express	147
2010-SW-AX-0026	02/08/2011	NM Gas Co	196
2010-SW-AX-0026	02/08/2011	PNM	114
2010-SW-AX-0026	02/28/2011	American Express	111
2010-SW-AX-0026	02/28/2011	American Express	147
2010-SW-AX-0026	03/08/2011	NM Gas Co	198
2010-SW-AX-0026	03/08/2011	PNM	96
2010-SW-AX-0026	03/29/2011	NM Gas Co	79
2010-SW-AX-0026	03/29/2011	PNM	83

<b>AWARD NUMBER</b>	<b>TRANSACTION DATE</b>	<b>TRANSACTION DESCRIPTION</b>	<b>UNALLOWABLE COSTS</b>
2010-SW-AX-0026	04/04/2011	American Express	147
2010-SW-AX-0026	05/03/2011	NM Gas Co	48
2010-SW-AX-0026	05/10/2011	PNM	88
2010-SW-AX-0026	08/31/2011	Community Against Violence	160
2010-SW-AX-0026	09/21/2011	Amazon.com	555
2010-SW-AX-0026	11/08/2011	TM	325
2010-SW-AX-0026	11/14/2011	DR	99
2010-SW-AX-0026	11/14/2011	LB	26
2010-SW-AX-0026	11/15/2011	KA	181
2010-SW-AX-0026	12/01/2011	Extra Space Storage	158
2010-SW-AX-0026	12/14/2011	XPEDX	85
2010-SW-AX-0026	01/01/2012	Extra Space Storage	158
2010-SW-AX-0026	03/01/2012	KJI	175
2010-SW-AX-0026	03/07/2012	KJI	175
2010-SW-AX-0026	03/08/2012	KJI	235
2010-SW-AX-0026	04/01/2012	Extra Space Storage	158
2010-SW-AX-0026	05/24/2012	NM Gas Co	25
2010-SW-AX-0026	05/24/2012	PNM	88
2010-SW-AX-0026	06/01/2012	Extra Space Storage	158
2010-SW-AX-0026	07/13/2012	Southwest Airlines	20
2010-SW-AX-0026	08/06/2012	Hotel	34
2010-SW-AX-0026	08/08/2012	Hotel	34
2010-SW-AX-0026	08/19/2012	BC	249
2010-SW-AX-0026	08/19/2012	CG	249
2010-SW-AX-0026	08/19/2012	SG	249
2010-SW-AX-0026	08/21/2012	Hotel	68
2010-SW-AX-0026	08/24/2012	EC	249
2010-SW-AX-0026	08/26/2012	Hotel	204
2011-EW-AX-K004	09/04/2012	KF	266
<b>Total Unallowable Other Direct Costs:</b>			<b>\$46,253</b>

Source: NMCSAP accounting records and OJP's GMS

New Mexico Coalition of Sexual Assault Programs, Inc.

3909 Juan Tabo NE, Suite 6 Albuquerque, New Mexico 87111  
(505) 883-8020 (505) 883-7530 (FAX)



July 1, 2013

[Redacted]  
Department of Justice  
Office of the Inspector General  
Denver Regional Audit Office  
1120 Lincoln Street, Suite 1500  
Denver, CO 80203

Regarding Draft OIG Audit of:  
Grant Nos. 2007-WR-AX-0085 (Rural)  
2010-WL-AX-0003 (LAV)  
2010-SW-AX-0026 (GTC)  
Cooperative Agreement No. 2011-EW-AX-K004 (A.L.L.)

The New Mexico Coalition of Sexual Assault Programs, Inc. (NMCSAP) received the draft audit report dated May 28, 2013. In some instances, we agree with the auditor's findings and recommendations; however, there are a number of instances where we do not agree with the findings. There are a number of instances in the audit report that we would like to clarify and have corrected, based on additional information or facts that we have included in this response.

The NMCSAP has historically been a relatively small non-profit organization with limited funding and resources. As a result, financial management and annual auditing was not required nor a regular practice. However, after securing the increased levels of state and federal funding within the last six years, the NMCSAP recognized the need to develop financial management infrastructure and procedures necessary to ensure that we adhere to all state and federal grant guidelines. As a result the NMCSAP created or revised and implemented more robust personnel policies and procedures, board by-laws, financial procedures including contract development and approval, and timesheet review and approval. These were reviewed and approved at the Board of Director's Retreat on March 17, 2012. The implementation of these internal controls resulted in a successful 2012 audit with minimal findings. The auditor, who specializes in preparing single audits for non-profits who receive federal funding, was astounded at the considerable improvement in less than a year.



e-mail: [nmcsap@swcp.com](mailto:nmcsap@swcp.com) WEB Site: <http://www.nmcsap.org>

### **GAN Requirement**

The OJP Financial Guide distinguishes between a sub-award which requires a GAN or budget approval, and a sub-contract which does not. The Guide states that a sub-contractor provides goods and services while a sub-award is for the performance of the substance of the grant activity. The challenged expenses and contracts in this grant relate to services and not performance of the substance of the grant work. (See OJP Financial Guide 2011, *Key Terms* at:

<http://www.ojp.gov/financialguide/GeneralInformation/index.htm#d>

and also *Sub-recipient Monitoring* at the same site). The guide does not state that a GAN or preapproval is required for any sub-contractor for goods and services.

The 2012 OVW Financial Guide states on page 47 that a GAN is required when a contract is for work that is "central to the purposes of the grant". The challenged contracts are not central to the purpose of the grant, they are supportive services such as conducting interviews, doing background investigation, videotaping a deposition, advertising a contract--all of which are secondary and supportive of the primary purpose of the grant, which is to provide legal representation. The Guide specifically notes that general support services are not subject to the GAN requirement (unless the rate of compensation exceeds federal pre-approved rates of compensation).

#### **NMCSAP response to the recommendations to the OVW:**

##### **1. Develop policies and procedures to ensure conflicts of interests are avoided and fair hiring and contracting practices are followed.**

Response: Policies and procedures are in place and followed. The NMCSAP disagrees that there are conflicts of interest and that fair hiring and contracting practices were not followed. All positions both contract and full and part-time employees, are hired by the Executive Director.

Because the NMCSAP is a small organization with limited financial resources, program development and grant writing funds are nonexistent. Therefore, the individuals who write grants for the NMCSAP do so as volunteers as a pro bono service. Although the individual identified within the OIG draft audit report does have a private consulting company, this individual has never been paid for grant writing or grant management services as a member of that company. Also, because grant writing

services are performed pro bono and writing federal and state proposals are monumental tasks, these responsibilities are shared by multiple NMCSAP volunteers.

New Mexico is a large, rural state with a small population and limited human resources. When we find talented individuals with effective management and organizational skills, these individuals serve in multiple roles of responsibility. Because New Mexico is a rural state with limited funding resources and human resources, word of mouth is an effective recruitment tool for small non-profit organizations that do not have an advertising budget.

The Project Assistant was hired because of her exceptional organizational experience as identified in the attached resume. This individual was hired in 2005 and was retained because of their qualifications and performance. Because this person served in a part-time capacity, this individual was pursued and received other employment opportunities resulting from performance and abilities.

The Project Director's spouse has worked as a volunteer and a contractor for the NMCSAP for over ten years. This individual has contributed countless unpaid hours to the NMCSAP as a volunteer and through pro bono services. He was hired and supervised as a contractor by the Executive Director and not the Project Director. This individual has no relation to the Executive Director and performed under her supervision. Because of the superior service provided, additional contracts were awarded to this individual. This person holds a doctorate degree and has extensive experience in grant proposal and report writing, project management, and data collection and project evaluation. Also, this individual is an advocate with extensive experience in providing support to victims and to survivors of crime, natural disaster, and financial hardship.

The Project Director has a permanent disability as defined by the Americans with Disabilities Act. In addition to the duties provided in support of Grant No. 2007-WR-AX-0085, the Project Director's spouse also traveled with her as a reasonable accommodation under the ADA. Through their volunteer and contractor services, the NMCSAP was able to receive a level of service that would not have been achievable with any other individual in the state. The NMCSAP has been transparent and has always identified this individual as providing a reasonable accommodation to the Project Director for required travel purposes. This reasonable accommodation, as defined by the ADA, is always documented on all approved travel reimbursements and

has been approved by OVW. This person has a history of providing a reasonable accommodation to the Project Director. He provided the same reasonable accommodation as documented by the Florida Attorney General's Office where the Project Director served as the Bureau Chief for Victim Advocacy and Grants Management and in the New Mexico Attorney General's Office as Director of Victim Services.

**2. Remedy the \$91,051 in unsupported excess drawdowns.**

Response: NMCSAP does not agree with this recommendation.

Accountant has been working full-time at NMCSAP since July 2012 (she was part time since January 2010). Fiscal policies and procedures are in place and followed. Accountant is in regular communication with the auditor, who specializes in performing single audits of non-profits that receive federal funding. Accountant has prepared a document showing all expenses for 2007-WR-AX-0085 (Rural) to match the amount drawn down from OVW. An additional Excel sheet demonstrating the wages paid to the Program Director and Project Assistant is also attached.

**3. Develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.**

While all drawdowns for each grant in question have been based on 'cost reimbursement' practice, the NMCSAP agrees that a more formal means of maintaining the documentation was necessary. The now full-time accountant has developed a monthly draw down schedule based on direct, documentable existing expenditures.

**4. Remedy the \$690,782 in unallowable contract and subgrant expenditures and the \$2,688 in unsupported contract expenditures.**

The NMCSAP does not agree that the \$690,782 identified by the auditors is unallowable. All expenses were directly related to the goals and objectives for Grant Nos. 2007-WR-AX-0085. We provided contracts and subgrant expenditures to the auditors in support of these costs. New Mexico is a rural state. Prior to 2012, the NMCSAP's practice was to send and receive contracts via electronic communication

and to accept electronic signatures. However since 2012, the NMCSAP has implemented more formalized, structured contract development, distribution and approval processes that require an original signature.

We believe that the [REDACTED] contract, a company specializing in Native American Indigenous Performing Arts, is an allowable cost because it directly related to the goals and objectives for Grant No. 2007-WR-AX-0085. A compact disc (cd) was provided to the auditors that included the two Native American specific public service announcements that were created. However, we do agree that the contract was not properly executed. Since 2012, the NMCSAP's has implemented new procedures and processes to ensure contracts are properly created with original signatures.

The NMCSAP does not believe in the auditors' perceived conflict of interest for the contract in the amount of \$40,500.00 for which \$39,931.50 was paid from Grant No. 2007-WR-AX-0085. As stated above, this individual has worked as a volunteer and a contractor for the NMCSAP for over ten years. This individual has contributed countless unpaid hours to the NMCSAP as a volunteer and through pro bono services and was hired and supervised as a contractor by the Executive Director and not the Project Director. This person has no relation to the Executive Director and performed under her supervision. Because of the superior service provided, additional contracts were awarded to this individual. This person holds a doctorate degree and has extensive experience in grant proposal and report writing, project management, and data collection and project evaluation. Also, this individual is an advocate with extensive experience in providing support to victims and to survivors of crime, natural disaster, and financial hardship.

The Project Director has a permanent disability as defined by the Americans with Disabilities Act. In addition to the duties provided in support of Grant No. 2007-WR-AX-0085, this person also traveled with the Project Director as a reasonable accommodation under the ADA. Through their volunteer and contractor services, the NMCSAP was able to receive a level of service that would not have been achievable with any other individual in the state. The NMCSAP has been transparent and has always identified this individual as providing a reasonable accommodation to the Project Director for required travel purposes. This reasonable accommodation, as defined by the ADA, is always documented on all approved travel reimbursements and has been approved by OVW. This person has a history of providing a reasonable

accommodation to the Project Director. He provided the same reasonable accommodation as documented by the Florida Attorney General's Office where the Project Director served as the Bureau Chief for Victim Advocacy and Grants Management and in the New Mexico Attorney General's Office as Director of Victim Services.

The NMCSAP agrees with the auditors that we did not notify OVW of this possible conflict of interest. In the future, the NMCSAP will ensure that OVW is immediately notified of any appearance of a conflict of interest for all contracts.

Additionally, the NMCSAP disagrees that there was \$2,688.00 in unsupported contract expenditures for Grant No. 2007-WR-AX-0085. Please see the attached signed contract as documentation to support this cost as an allowable expense. This individual was contracted as a presenter at the rural conference which was in fulfillment of an identified goal and objective approved by OVW.

Regarding expenses related to 2010-WL-AX-0003 (LAV), we believe a remedy is unnecessary for these expenditures as they were allowable as noted in the section above concerning GAN requirements.

##### **5. Develop policies and procedures for adequate monitoring of contractors and subgrantees.**

The NMCSAP has revised all Coalition policies as of 3-17-12 to strengthen our monitoring of contractors and subgrantees. All program directors will provide a site visit to each subgrantee a minimum of once every 18 months. Once per year, subgrantees must submit documentation for one month of invoicing as spot requested by our accountant. Additionally, subgrantees must submit a copy of their audit annually which is reviewed by our accountant.

The NMCSAP agrees that we need to enhance our current monitoring of contractors and subgrantees. However, we would like to note that project staff does meet regularly with subgrantees and contractors. Rural subgrantees, which are located in opposite ends of our large, rural state and several hundred miles apart, travel to Albuquerque, New Mexico to participate in quarterly face-to-face meetings. In addition, subgrantees participate in monthly and bi-weekly conference calls regarding grant implementation. Project staff travels to the subgrantee locations for trainings and other grant related activities. NMCSAP staff will work with OVW, subgrantees, and contractors to

enhance our current monitoring processes and procedures which will include a review of financial documentation.

For 2010-WL-AX-0003 (LAV), the procedures are in place. Low bono attorneys and partner agencies are provided with regular and emergency supervision by the Project Director. Clients are asked for feedback on performance of these entities. Direct observation of the work of these parties is also part of the monitoring of their work.

**6. Develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period.**

Personnel policies and procedures were revised to insure that employees provide timely documentation prior to obtaining a paycheck. For state fiscal year 14 (July 1 2013-June 30 2014), accountant has instituted direct deposit electronically as approved by the board as a means to insure that all time sheets are completed and reviewed in a timely manner. A new time sheet was instituted in July 2012 designed to better capture per grant hours each pay period.

**7. Remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$10,354 in unsupported fringe benefit expenditures, and \$2,592 in unallowable fringe benefit expenditures.**

The NMSAP disagrees with the listed questioned payroll costs. Time sheets are attached for a portion of the questioned expenses.

In regards to the accountant not being listed in the original budget for 2010-WL-AX-0003 (LAV), a remedy is unnecessary for the questioned expense as the funds were authorized in the budget for a financial staff person and one individual was substituted for another when a new staff person filled a previously open position. The NMCSAP believes that using the funds for an actual accountant instead of an existing staff member was a more effective use of the funds.

The NMCSAP will provide detailed documentation on each of the listed items.

**8. Remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees.**

The NMCSAP disagrees with the finding that there is \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees for Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004. In cases of compensation for multiple full-time salaries paid to the same employees, all positions and the individuals filling those positions were included in the grant proposal budget and budget narratives that was submitted and approved by OVW. These positions were neither identified nor scoped as full time positions within the proposal. In addition, these positions were reported as part-time positions on all OVW approved semi-annual reports since 2007. Furthermore, the original OVW request for proposal did not require that any position be full-time. New Mexico has limited human resources. Many NMCSAP staff performs in multiple rolls with varied responsibilities. As a small non-profit organization, we must recruit and retain highly functioning, multitasking individuals.

The NMCSAP has been transparent in its identification of individuals who are performing grant tasks. When Grant No. 2011-EW-AX-K004 was awarded, the Project Director contacted the OVW Grant Manager on February 13, 2012 and requested that the salary that was awarded in the grant be reallocated and shared between the Project Director and the Project Assistant. A GAN was submitted and approved. Please see attached documentation.

**9. Remedy the \$92,920 in unsupported other direct costs and \$46,253 in unallowable other direct costs.**

The NMCSAP disagrees with the finding that there are \$92,920 in unsupported direct costs and \$46,253 in unallowable direct costs for Grant Nos. 2007-WR-AX-0085, 2010-WL-AX-0003, and 2010-SW-AX-0026, and Cooperative Agreement No. 2011-EW-AX-K004.

Please see the attached contract and hotel receipt for the Ultimate Train the Trainer training event that was held in Santa Fe, New Mexico in September 2011.

Please see the attached documentation in support of the questioned costs for Cooperative Agreement No. 2011-EW-AX-K004.

Prior to 2013, the NMCSAP provided an option to staff regarding health benefits. If an individual had health insurance from another source, the NMCSAP would pay the staff member directly for any out-of-pocket health related costs up to a certain amount. The NMCSAP paid Health Benefits in the amount of \$1,200.00 to the individual in question. Please see the attached receipts which document \$1,272.63 in health related expenses that this individual paid out-of-pocket for 2009.

Please see the attached documentation in support of the questioned costs to [REDACTED] for \$12,967.48 for payment of 2011 Advocacy in Action conference fees.

A NMCSAP Project Director was recruited to assist the national conference planning committee to identify and secure an accessible hotel for the National Professional Training Conference on Responding to Crime Victims with Disabilities. This national training event was held on September 30-October 2, 2009 at the Denver Convention Center in Denver, CO. In addition to her regular Project Director duties, the NMCSAP asked this individual to prepare and deliver multiple workshops at this training event. Because the NMCSAP believed this was additional work, outside of this individual's regular duties, the NMCSAP compensated her for \$4,500.00.

Please see the attached documentation from [REDACTED] regarding the \$7,043.00 payment for [REDACTED] printing.

Please see the attached documentation in support of the DOJ Rural Grantee meeting in Washington, D.C. in January 2008. A copy of the flyer announcing the DOJ Rural Grantee meeting, the meeting booklet cover, and one of the PowerPoint Presentations presented at the meeting. Also attached is the NMCSAP reimbursement request form which itemizes each expense for the Project Director including the personal care assistant as a reasonable accommodation in compliance with the Americans with Disabilities Act.

Documentation will be provided to OVW detailing all other questioned costs.

- 10. Develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative**

**agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation.**

Policies and procedures are now in active practice to document that all expenses are properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation. A staff member, separate from the accountant, tracks each credit card purchase and receipt, attaching all receipts to the credit card bill on a monthly basis. Accountant then utilizes this documentation to allocate each charge to the appropriate budget item.

Additionally, all travel by staff, participants, and contractors, must include a NMCSAP travel form attached to all receipts and documentation showing the reason for travel. Travel is not reimbursed without each of these items in place.

**11. Develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support FFRs.**

FFR's are scheduled on the accountants wall calendar, and computer calendar with a phone reminder. Amounts recorded on the FFR's match exactly the amounts on the accounting sheets generated from the NMCSAP accounting program.

**12. Develop policies and procedures to ensure timely submissions of progress reports.**

All progress reports for 2007-WR-AX-0085, 2010-WL-AX-0003 (LAV) and Cooperative Agreement No. 2011-EW-AX-K004 were submitted in a timely manner.

For 2010-SW-AX-0026 (GTC) the Executive Director has included progress report reminders on her phone and computer to insure timely delivery of all reports in the future.

**13. Develop policies and procedures to maintain supporting documents for information reported in progress reports at the time the progress report is completed.**

The NMCSAP does agree that methods for supporting documentation on all grants and cooperative agreements need to be enhanced and monitored more closely. New

procedures have been implemented to provide more qualitative and quantitative data to support the semi-annual reports. This documentation will be uploaded each month on the GMS system as an accompaniment to the progress report. Additionally, all project directors will keep a file of supporting documentation that will be maintained for each Progress Report submitted.

**14. Ensure grants are closed out in a timely manner and in accordance with the 2012 OVW Financial Grants Management Guide.**

This occurred only once following a very long run of a Grants to Coalition OVW grant. We simply were not accustomed to the change from a continuation grant to an annual grant. The Executive Director will follow all federal grants closely each year to insure that all grants are properly closed out in a timely fashion.

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**Additional information for 2007-WR-AX-0085 (Rural) and Cooperative Agreement No. 2011-EW-AX-K004 (A.L.L.):**

- All timesheets and invoices for any work hours questioned were submitted and are included in the documentation we have provided to you.
- Spreadsheet B Line Item 17 - Certificates of completion are attached for [REDACTED] to document attendance at the training in question.
- Spreadsheet B Line Item 18 Attached is the original invoice from the Marriott for \$64,343.33 for the 2009 Rural Conference. American Express permits only incremental payment of large bills, up to \$25,000 at a time. The 49.33 (three charges to Marriott for 3.74, 15.74 and 29.85) were for copies that presenters requested on the day of their presentation at the conference. – These amounts total the \$25,049.33 in question.
- The NMCSAP agrees with the final item listed on excel sheet “Questioned costs for Cooperative Agreement No. 2011-EW-AX-K004” (\$266.29) errant allocation of expense. The NMCSAP accountant will correctly allocate this expense to the rural grant (2007-WR-AX-0085) and documentation will be

available to OIG and OVW. (Staff person in question, disability advocate, attended this training in order to enable her to work more effectively with the Rural Coordinators.)

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**Additional Information Specific to Grant 2010-WL-AX-0003 (LAV)**

The findings listed on page ii, as to this grant number describe \$17,298 as unallowable contract costs, which does not exceed the contractual budget category allocation of funds, and does not amount to 10% of the total award, so the need for a GAN is not triggered. No change in scope of the project has occurred as all legal services by any lawyer in any jurisdiction are contingent upon adequate investigation by counsel. Failure to do so can lead to being sanctioned for taking legal action without adequate basis. In cases where the law enforcement response was inadequate or not utilized, some degree of investigation is needed to comply with this duty. Similarly, if opposing counsel escalates representation such that additional witnesses are necessary or deposition costs are incurred, those costs are understood to be normal customary expenses of legal practice. Expenses associated with investigation ( [REDACTED] interview) and with discovery ( [REDACTED] ) are services which are essential to the holistic representation of clients in the particular cases where they were utilized.

The monitoring of contractors and sub-grantees under this grant is conducted through personal observation of the delivery of services, client feedback, and continuous mentoring by the project staff.

Employee time is monitored by timesheet, supported by either hard copy records of client services, or database time records.

Questioned payroll costs relate to a substitution of an accountant for the Executive Director when an accountant position was filled and the Executive Director was able to transfer the financial management duties to the accountant. The approved grant budget provided for financial management staff costs.

The personnel costs of \$2,605 cited on page 15 as unsupported personnel costs, relate to employees who were released from employment for failure to provide timesheets. Knowledge of their accomplished work is reflected in appearances in court, client feedback, and written work product.

The Progress Report testing in the aggregate revealed more client service for the testing periods that occur after the reporting deadline. For example, a client is determined to have withdrawn from service and a case file is retroactively closed back-dated to the last client contact, another example is when a lack of access to the database delays entry and a case is opened retroactively. A database report can be run at any time to document the client services being provided at any point in time by the project.

The goals listed on page 25 relate to the proposed period of testing, but the actual period of testing was the previous cycle of funding which did not include goal #6.

#### COSTS

██████████ expenditures consist of the the expense of doing video-taped depositions of all witnesses for an Order for Protection hearing. This is a previously unheard of expense for this type of representation in our state and not anticipated. Discovery for this kind of hearing is not a typical expense, but as it involves safety, it is done on an expedited timeline without the minimum time for a GAN.

██████████ is the expense for advertising Legal Advocate positions in rural areas.

#### CONTRACTS

The Project Director works remotely for the Coalition from another state. There is not total redundancy in record keeping of contracts at the two sites. When the Project Director did not have a hard copy of the contract, she called the contractor and got telephonic approval. The hard copy contracts that were approved by phone have been located and are attached.

The delay in ██████████ submission of the contract resulted from an unusual situation where she was hired to continue some time sensitive work that was begun by someone else who suffered a sudden, major debilitating illness. ██████████ did not require the 80 hour training that other applicants would have required to continue the work, but she did not have a computer, fax, or scanner when she was hired. She forwarded the contract as soon as she had access to a fax machine.

██████████ graciously fronted the expense of a process server's fee in an instance when the need for professional service on an evasive witness for an Order for Protection case came up suddenly and our invoicing process would not have provided the required fee in time for the hearing.

██████████' supplemental contract was inadvertently omitted from the contracts provided previously. It is attached.

The contract for ██████████ was located in hard copy and is attached.

██████████ is a private investigator's agency which was necessary to engage to comply with the legal requirement to fully investigate a claim prior to filing any legal action. Facilitating investigation is mentioned in the grant narrative.

██████████ is a national expert on cognitive and developmental disability. He trains nationally on interviewing persons with disability. His rate is quite conservative for his professional stature. His services were necessary when a client with a communication disorder had to be interviewed in order to assert her victim rights in the criminal justice process(advocacy of this type is described in the grant narrative. Police interviewers did not recognize her disability and conducted an incoherent interview which could not be used as the basis for any legal remedy.

#### PROGRESS REPORTS

Nineteen of the questioned items for progress reporting show documentation of services exceeding that which was reported. This disparity is explained by periodic updates to client records which change the "count" retroactively within our database.

#### Testing Categories:

Report 3, number of people trained: training events were informal and did not include sign in sheets or agendas. The events occurrences were documented.

Report 3, protection orders: The following additional clients were provided with this assistance and were inadvertently left off the listing provided to the auditors-11-LC-000025, 08-01-99000005, 08-FS:01000011, and 08-01-99000016.

Report 3, U Visa: Clients # 11-FM-000004 and 12-FM-000014 sought assistance with U-Visas.

Report 3 and 4, Removal: Client # 11-FM-000004 sought assistance with removal as a result of an unpaid parking ticket.

Report 4, Training events and attendees: the following training events were held-

Advocacy in Action statewide training keynote (estimated 800 people in attendance based on registration information at the time of the reporting), SANE statewide conference (estimated 200 people in attendance based on registration information)

Solace staff training (12 people attended)

Community Against Violence staff training (13 people attended)

ARISE volunteer training (5 people attended)

Statewide Sexual Assault Coordinators training ( 20 people attended)

Silver City Legal Clinic (12 people attended)

Confidentiality Institute service providers training on confidentiality (23 people attended)

Report 4, victim services by lawyers: When discussing this issue with the auditors, the Project Director made an error in responding to a question. All active cases would have had a safety plan made by a lawyer. All clients are served by a lawyer, sometimes in addition to a non-lawyer advocate. The number given was artificially low as it reflected only cases where the case manager is a lawyer.

Report 4, Consumer services: Client # 11-FM-000010 was assisted with a debt she was unable to pay.

Report 4, Housing: The following clients were provided with housing related assistance- 11-LC-000024, 12-01-99000004, 11-LC-000020, 12-01-99000003, 12-LC-000042, 11-FM-000008, 12-LC-000035, 12-LC-000036, and 12-FM-000020.

Report 4, Immigration matters- a partner agency made an inconsistent accounting that resulted in a duplicated count of one client. This error accounts for the 3 clients that are not shown in the NMCSAP documentation.

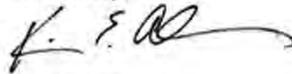
Report 4, U-Visa: all clients provided services by [REDACTED] were seeking U-Visas. This data was provided and counted in other categories by auditors, but inadvertently omitted here by auditors. Client#12-FM-000014 had a pending U-Visa application.

Report 4, Other immigration matters: Client # 12-LC-000031 sought assistance with replacement of immigration documents.

Report 4, Name change and SSN change: Client # 11-TA-000008 and 12-TA-000014 were provided with legal services relating to changing name and/or SSN for safety.

Thank you for the opportunity to review your detailed accounting associated with the draft audit. We appreciate the chance to respond to the recommendations and look forward to working alongside OVW to reassure and document our commitment to fulfilling all grant and cooperative agreement requirements. The funds from OVW have remarkably enhanced the work we are able to perform to enhance services to victims of sexual violence. We look forward to strengthening our infrastructure and practice in order to better serve the needs of victims and survivors in New Mexico.

Sincerely,



Kim Alaburda  
Executive Director



U.S. Department of Justice  
Office on Violence Against Women

Washington, D.C. 20530  
June 28, 2013

**MEMORANDUM**

TO: David M. Sheeren  
Regional Audit Manager  
Denver Regional Audit Office

FROM: Bea Hanson *TH*  
Acting Director  
Office on Violence Against Women

Rodney Samuels *RS*  
Audit Liaison/Staff Accountant  
Office on Violence Against Women

SUBJECT: Response to the Draft Audit Report – Audit of the Office on Violence Against Women Grants and Cooperative Agreement Awarded to the New Mexico Coalition of Sexual Assault Programs, Inc. (NMCSAP) Albuquerque, New Mexico

This memorandum is in response to your correspondence dated May 28, 2013 transmitting the above draft audit report for the NMCSAP. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **fourteen** recommendations, **\$183,971** in unsupported costs, **\$1,066,721** in unallowable expenditures, and **\$73,359** in questioned payroll cost. The Office on Violence Against Women (OVW) is committed to working with the grantee to address each recommendation and bring them to a close as quickly as possible. The following is our analysis of the audit recommendations.

- 1) **Develop procedures to ensure that conflicts of interest are avoided and fair hiring and contracting practices are followed.**

We agree with this recommendation. We will coordinate with the NMCSAP to develop procedures to ensure that conflicts of interest are avoided and fair hiring and contracting practices are followed.

**2) Remedy the \$91,051 in unsupported excess drawdowns.**

We agree with the recommendation. We will coordinate with NMCSAP to remedy the \$91,051 in unsupported excess drawdowns.

**3) Develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.**

We agree with the recommendation. We will coordinate with the NMCSAP to develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.

**4) Remedy the \$690,782 in unallowable contract and subgrant expenditures and the \$2,688 in unsupported contract expenditures.**

We agree with the recommendation. We will coordinate with the NMCSAP to remedy the \$690,782 in unallowable contract and subgrant expenditures and the \$2,688 in unsupported contract expenditures.

**5) Develop policies and procedures for adequate monitoring of contractors and subgrantees.**

We agree with the recommendation. We will coordinate with the NMCSAP to develop policies and procedures for adequate monitoring of contractors and subgrantees.

**6) Develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period.**

We agree with the recommendation. We will coordinate with NMCSAP to develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period.

**7) Remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$10,354 in unsupported fringe benefit expenditures, and \$2,592 in unallowable fringe benefit expenditures.**

We agree with the recommendation. We will coordinate with NMCSAP to remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$10,354 in unsupported fringe benefit expenditures, and \$2,592 in unallowable fringe benefit expenditures.

- 8) **Remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employee.**

We agree with the recommendation. We will coordinate with NMCSAP to remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employee.

- 9) **Remedy the \$92,920 in unsupported other direct costs and \$46,253 in unallowable other direct costs.**

We agree with the recommendation. We will coordinate with NMCSAP to remedy the \$92,920 in unsupported other direct costs and \$46,253 in unallowable other direct costs.

- 10) **Develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to the supporting documentation.**

We agree with the recommendation. We will coordinate with NMCSAP to develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to the supporting documentation.

- 11) **Develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support the FFRs.**

We agree with the recommendation. We will coordinate with NMCSAP to develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support the FFRs.

- 12) **Develop policies and procedures to ensure timely submissions of progress reports.**

We agree with the recommendation. We will coordinate with NMCSAP to develop policies and procedures to ensure timely submissions of progress.

- 13) **Develop policies and procedures to maintain supporting documents for information reported in progress reports at the time the progress report is completed.**

We agree with the recommendation. We will coordinate with NMCSAP to develop policies and procedures to maintain supporting documents for information reported in progress reports at the time the progress report is completed.

**14) Ensure grants are closed out in a timely manner and in accordance with the 2012 OVW Financial Grants Management Guide.**

We agree with the recommendation. We will coordinate with NMCSAP to ensure grants are closed out in a timely manner and in accordance with the 2012 OVW Financial Grants Management Guide.

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

cc Angela Wood  
Accounting Officer  
Office on Violence Against Women (OVW)

Louise M. Duhamel, Ph.D.  
Acting Assistant Director  
Audit Liaison Group  
Justice Management Division

Kimberly Woodard  
Program Specialist  
Office on Violence Against Women

## APPENDIX VI

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the Office on Violence Against Women (OVW) and to the New Mexico Coalition of Sexual Assault Programs, Inc. (NMCSAP). OVW response is incorporated in Appendix V and NMCSAP response is incorporated in Appendix IV of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

#### **Analysis of NMCSAP Response**

In response to our audit report, NMCSAP made the following general statements that we believe need to be addressed. On page 40 of this report, NMCSAP stated that it has "created or revised and implemented more robust personnel policies and procedures, board by-laws, financial procedures including contract development and approval, and timesheet review and approval. The implementation of these internal controls resulted in a successful 2012 audit with minimal findings."

It should be noted that, although the Fiscal Year (FY) 2012 single audit reported an unqualified opinion on financial reporting, the single audit reported a qualified opinion regarding compliance with requirements that could have a direct and material effect on each major program and on the internal control over compliance in accordance with Office of Management and Budget (OMB) Circular A-133.

In addition, the independent auditors also identified 11 findings in the FY 2012 single audit report that indicate that NMCSAP has not developed a financial management infrastructure and procedures necessary to ensure that it adheres to all state and federal grant guidelines. A majority of the FY 2012 single audit findings were applicable to DOJ funds and align with the findings reported in this audit report.

Further, many of the findings in the FY 2012 single audit report are repeat findings reported in the FYs 2010 and 2011 single audit reports for which, the independent auditors reported a disclaimer of opinion. For these reasons, in our judgment NMCSAP should continue to develop a financial management infrastructure and procedures necessary to ensure that it adheres to all state and federal grant guidelines.

Additionally, on page 41 of this report NMCSAP stated in its response that the OJP financial guide does not require a GAN or preapproval for subcontractors that provide goods and services. During the course of our audit we determined that subcontractors had been authorized for Grant No. 2010-WL-AX-0003 who had not been identified in the original approved budget. This is contrary to the *2011 OJP Financial Guide*, which states that “a GAN is required when authorizing the use of a subcontractor or other organization that was not identified in the original grant budget.” The NMCSAP goes on to reference page 47 of the 2012 OVW Financial Guide which states that a GAN is required when a contract is for work that is “central to the purposes of the grant.” NMCSAP states that the challenged contracts are not central to the purpose of the grant, but rather supportive services. NMCSAP states that the Guide specifically notes that general support services are not subject to the GAN requirement (unless the rate of compensation exceeds federal pre-approved rates of compensation).

We do not agree with NMCSAP’s interpretation of the criteria mentioned in its response. Of the contracts in question, 23 were awarded prior to the issuance of the *2012 OVW Financial Management Guide*. Therefore, the criteria that are applicable to those contracts are contained in the *2011 OJP Financial Guide*, which states that “a GAN is required when authorizing the use of a subcontractor or other organization that was not identified in the original grant budget.” For the remaining 7 contracts, NMCSAP’s interpretation of the criteria is also incorrect because the *2012 OVW Financial Management Guide* also states that “examples for instances where prior approval would be required, included authorizing the use of a subcontractor or other organization that was not identified in the original approved budget, or contracting for or transferring of grant-supported efforts.”

Regardless of whether contractors performed services related to the substance of the grant work, or “central to the purposes of the grant,” the criteria requires that a GAN be submitted for contractors or other organizations that were not identified in the approved budget. Therefore, we stand by our determination that a GAN was required for unallowable expenses associated with contractors that were not in the approved grant budget.

## **Summary of Actions Necessary to Close the Report**

1. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to ensure conflicts of interests are avoided and fair hiring and contracting practices are followed. OVW stated in its response that it will coordinate with NMCSAP to develop policies

and procedures to ensure conflicts of interests are avoided and fair hiring and contracting practices are followed.

In its response on page 41 of this report, NMSCAP stated that “NMCSAP disagrees that there are conflicts of interest and that fair hiring and contracting practices were not followed. All positions both contract and full and part-time employees, are hired by the Executive Director.” NMSCAP further states that, “... although the individual identified within the OIG draft audit report does have a private consulting company, this individual has never been paid for grant writing or grant management services as a member of that company.”

Although NMSCAP stated that it did not pay the Project Director’s company for grant writing or grant management services. In our opinion, owning a company that provides grant writing and grant management services, while also being a full-time employee of NMCSAP gives the appearance of a conflict of interest. In addition, the Project Director is using her position with NMCSAP as an advertising tool for her private consulting company. For example, the Project Director’s company website states that for NMCSAP, the company’s “staff works intimately with NMCSAP to help plan, coordinate and evaluate numerous award winning regional and statewide trainings.” Also, on the company’s website we noted that the activities this company performed in association with NMCSAP align with the goals and objectives of Grant No. 2007-WR-AX-0085.

In its response on page 42 of this report, NMCSAP also stated that, “Because New Mexico is a rural state with limited funding resources and human resources, word of mouth is an effective recruitment tool for small non-profit organizations that do not have an advertising budget.” This statement by NMCSAP does not address the appearance of a conflict of interest matter that we discovered during our audit, which is more fully discussed on page 8 of this audit report. During the hiring process, the Project Director informed the Project Assistant that even though NMCSAP position would be part-time, it was possible for the Project Director to also hire the Project Assistant through the Project Director’s company. Since 2005, the Project Assistant has worked for both the Project Director’s company and NMCSAP. In our judgment, hiring the Project Assistant under these circumstances gave the appearance of a conflict of interest.

In addition, we maintain that awarding contracts to the Project Director's spouse is a conflict of interest. As stated on page 13 of our audit report, we identified three contracts awarded to the Project Director's spouse for Grant No. 2007-WR-AX-0085. In its response, NMCSAP states that the Project Director's spouse was hired and supervised as a contractor by the Executive Director not the Project Director. However, based on OVW approved budget descriptions, the Project Director is responsible for providing management and oversight of the program for Grant No. 2007-WR-AX-0085, not the Executive Director.

NMCSAP also stated that the Project Director's spouse had worked as a volunteer for NMCSAP and assisted with writing the grant application. In our opinion, volunteer hours, pro bono services, and assisting with writing the grant application does not justify awarding a non-competitive contract. In fact, it further supports that there was a conflict of interest since the Project Director and the Project Director's spouse were involved in writing the grant application that included contracts intended for the Project Director's spouse. Based on the existence of an appearance of a conflict of interest between the contractor and the Project Director, we determined that these expenses were unallowable.

In addition, the NMSCAP states that "the Project Director has a permanent disability as defined by the Americans with Disabilities Act. In addition to the duties provided in support of Grant No. 2007-WR-AX-0085, the Project Director's spouse also traveled with her as a reasonable accommodation under the ADA." It should be noted that the questioned contracts awarded to the Project Director's spouse were not related to compensating the spouse for traveling with the Project Director to provide a reasonable accommodation under the ADA.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to ensure conflicts of interests are avoided and fair hiring and contracting practices are followed.

2. **Resolved.** OVW concurred with our recommendation to remedy the \$91,051 in unsupported excess drawdowns. OVW stated in its response that it will coordinate with NMCSAP to remedy the \$91,051 in unsupported excess drawdowns.

Along with NMCSAP's response to the draft report, the officials provided the same "Expense Breakdown" that was provided previously on January 31, 2013. In addition, NMCSAP officials provided a spreadsheet containing payroll entries for the Project Director and Project Assistant. These documents included contractor and subgrantee transactions totaling \$5,421 and payroll transactions totaling \$50,833 that were dated prior to the start of our audit but were not on the original accounting records provided to us, and duplicated payroll transactions in the amount of \$119,250. Since the additional transaction information provided by NMCSAP contains new expense and payroll information, and given the payroll deficiencies identified in this audit report, we could not accept these transactions as allowable or supported without reviewing the supporting documentation. We still consider the \$91,051 in excess drawdowns as unsupported.

This recommendation can be closed when we receive evidence that OVW has remedied the \$91,051 in unsupported excess drawdowns.

3. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.

NMCSAP agreed with our recommendation stating in its response that "[w]hile all drawdowns for each grant in question have been based on 'cost reimbursement' practice, NMCSAP agrees that a more formal means of maintaining the documentation was necessary." NMCSAP went on to say that the full-time accountant has developed a monthly draw down schedule based on direct, documentable existing expenditures.

However, no documentation of policies and procedures were provided and we disagree with NMCSAP's statement that "all drawdowns for each grant in question have been based on 'cost reimbursement' practice." During our audit, we received documentation from NMCSAP for a drawdown request submitted on September 13, 2011, for Grant No. 2007-WR-AX-0085, which requested a drawdown in advance rather than on the cost reimbursement practice. Additionally, as mentioned on page 10 of this audit report, for Grant No. 2007-WR-AX-0085 NMCSAP was cumulatively overdrawn by

\$91,051. Our review of the accounting records found that NMCSAP has been overdrawn by varying amounts for the life of Grant No. 2007-WR-AX-0085, meaning that cumulatively drawdowns were not based on the cost reimbursement practice.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to ensure that cumulative drawdowns do not exceed cumulative expenditures.

4. **Resolved.** OVW concurred with our recommendation in the draft report to remedy the \$690,782 in unallowable contract and subgrant expenditures and the \$2,688 in unsupported contract expenditures. OVW stated in its response that it will coordinate with NMCSAP to remedy the \$690,782 in unallowable contract and subgrant expenditures and the \$2,688 in unsupported contract expenditures.

In response to the draft report, NMCSAP did not agree that there was \$2,688 in unsupported contract expenditures for Grant No. 2007-WR-AX-0085. NMCSAP provided documentation supporting the \$2,688 in unsupported contract costs identified for Grant No. 2007-WR-AX-0085. As a result, for the recommendation related to contract and subgrant costs in the final report, we removed the \$2,688 in unsupported contract expenditures. Therefore, in the final report we recommend that OVW remedy the \$690,782 in unallowable contract and subgrant expenditures.

NMCSAP did not agree with our recommendation to remedy the \$690,782 in unallowable contract and subgrant expenditures. In its response, on pages 43 and 44 of this report, NMCSAP stated that it provided contracts and subgrant expenditures to the auditors in support of these costs and that prior to 2012, NMCSAP's practice was to send and receive contracts via electronic communication and to accept electronic signatures. NMCSAP further stated that it has implemented more formalized, structured contract development, distribution and approval processes that require an original signature. However, no documentation of policies and procedures were provided.

Also, as stated on page 11 of this report, we identified 14 contracts and 4 subgrants that did not include signatures from the contractor or subgrantee for Grant No. 2007-WR-AX-0085. Unsigned contracts and subgrants are not valid agreements. Contracts and subgrants should be signed by the contractor or subgrantee and NMCSAP to

fully document the agreement between the parties. In response to the draft report, no further documentation was provided by NMCSAP supporting that the contracts and subgrants had been signed by the contractors or subgrantees either electronically or by hard copy for Grant No. 2007-WR-AX-0085. In addition, on page 44 of this report NMCSAP states that it believes the contract for the company specializing in Native American Indigenous Performing Arts is an allowable cost because it is directly related to the goals and objectives for Grant No. 2007-WR-AX-0085. However, NMCSAP agreed that this contract was not properly executed and that it has implemented new procedures and processes to ensure that contracts are properly created with original signatures. We did not question the allowability of the contract for the company specializing in Native American Indigenous Performing Arts based on its grant goals and objectives. This contract did not have a signature and was therefore an invalid agreement for which the costs were questioned. As a result, the expenses related to contracts and subgrants without signatures by all parties are unallowable expenditures.

Additionally, in its response, NMCSAP discussed the spouse of the Project Director for Grant No. 2007-WR-AX-0085. As previously discussed in our response to recommendation 1, the appearance of a conflict of interest between the contractor and the Project Director over the grant exists. We found no evidence that NMCSAP notified OVW of the possible conflict of interest, in fact NMCSAP agrees that it did not notify OVW of this possible conflict of interest. In addition, the contracts were not competitively bid. Therefore, we determined that these expenses were unallowable.

In its response, on page 45 of this report, NMCSAP stated that it believes that the expenditures related to 2010-WL-AX-0003 (LAV) were allowable per GAN requirements and therefore a remedy is unnecessary. NMCSAP further discussed the questioned contract costs on pages 51 through 53 of this report, stating that the unallowable contract costs in the amount of \$17,298 do not exceed the contractual budget category allocation of funds, and does not amount to 10 percent of the total award, so the need for a GAN is not triggered. NMCSAP further stated that there was no change in the scope of the project as all legal services by any lawyer in any jurisdiction are contingent upon adequate investigation by counsel. NMCSAP notes that a failure to do so can lead to being sanctioned for taking legal action without adequate basis and that expenses associated with investigation... and with discovery... are services

which are essential to the holistic representation of clients in the particular cases where they were utilized.

As mentioned previously, the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* require a GAN to document any programmatic, administrative, or financial change, modification, adjustment, or correction associated with a grant award. This includes contractors, subcontractors or other organizations that were not identified in the approved budget. This applies regardless of the 10 percent rule and is required for the additional expenses to be considered allowable.

On page 52 of this report, NMCSAP stated for Grant No. 2010-WL-AX-0003 "The Project Director works remotely for the Coalition from another state. There is not total redundancy in record keeping of contracts at the two sites. When the Project Director did not have a hard copy of the contract, she called the contractor and got telephonic approval." NMCSAP had previously provided a copy of the contracts that were approved by phone. However, as mentioned on page 12 of our audit report, unsigned contracts are not valid agreements and all contracts should be signed by the contractor to fully document the contract's agreement between the parties. Therefore, the expenses related to contracts without signatures are unallowable.

On page 52 of this report, NMCSAP stated for Grant No. 2010-WL-AX-0003 that one contractor "...did not have a computer, fax, or scanner when she was hired. She forwarded the contract as soon as she had access to a fax machine." As mentioned on page 12 of our audit report, the expenses that are outside the terms of the contract, including those incurred before the contract was signed and provided to NMCSAP are unallowable.

On page 52 of this report, NMCSAP stated for Grant No. 2010-WL-AX-0003 that one contractor "fronted the expense of a process server's fee in an instance when the need for professional service on an evasive witness for an Order for Protection case came up suddenly and our invoicing process would not have provided the required fee in time for the hearing." However, no further documentation was provided and this expense was in excess of the approved contracts. As mentioned on page 12 of our audit report, expenses that are outside the terms of the contract, including those in excess of an approved contract are unallowable.

On page 53 of this report, NMCSAP stated for Grant No. 2010-WL-AX-0003 that the private investigator "...was necessary to engage to comply with the legal requirement to fully investigate a claim prior to filing any legal action. Facilitating investigation is mentioned in the grant narrative." As mentioned on page 12 of our audit report, the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* require a GAN to document any programmatic, administrative, or financial change, modification, adjustment, or correction associated with a grant award. This includes authorizing a subcontractor for work that was not identified in the original approved budget. The appropriate GAN was not submitted, and we question the unapproved expenses as unallowable. Additionally, for this contractor, we identified \$164 in expenses that were incurred before the contract was awarded and signed. However, the \$164 was already questioned as unallowable expenses that were not budgeted or approved in a GAN.

On page 53 of this report, NMCSAP stated for Grant No. 2010-WL-AX-0003 the expert on cognitive and developmental disability was used to interview a client with a communication disorder "in order to assert her victim rights in the criminal justice process" and according to NMCSAP "His rate is quite conservative for his professional stature." For this contractor, the appropriate GAN was not submitted, and we question the unapproved expenses as unallowable because subcontractor work was not identified in the original approved budget.

Finally, for Grant No. 2010-WL-AX-0003 NMCSAP provided a supplemental contract that was not previously provided during our audit and provided a signed contract that was provided during our audit but was approved by phone. These signed contracts remedy the \$8,973 that we previously questioned as unallowable because expenses were in excess of the approved contract, and the \$4,802 that we previously questioned as unallowable because the contract was approved by phone and was not a valid contract. We determined that the documentation related to these two signed contracts, adequately addressed our recommendation and therefore closed \$13,775 in unallowable questioned costs. The remainder of this recommendation can be closed when we receive documentation demonstrating that NMCSAP has remedied the \$677,007 in unallowable contract and subgrant expenditures.

5. **Resolved.** OVW concurred with our recommendation to develop policies and procedures for adequate monitoring of contractors and

subgrantees. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures for adequate monitoring of contractors and subgrantees.

NMCSAP agreed with our recommendation and on pages 45 and 46 of this report, stated that it has revised all Coalition policies as of March 2012 to strengthen its monitoring of contractors and subgrantees and provided examples of the requirements that are included in the policies. NMCSAP also agreed that it needs to enhance its current monitoring of contractors and subgrantees and stated that NMCSAP staff will work with OVW, subgrantees, and contractors to enhance its current monitoring processes and procedures which will include a review of financial documentation. For Grant No. 2010-WL-AX-0003, NMCSAP repeated that monitoring of contractors and subgrantees is conducted through personal observation of the delivery of services, client feedback, and continuous mentoring by the project staff.

However, no documentation of policies, procedures, or processes were provided. As mentioned on page 13 of our audit report, for Grant Nos. 2007-WR-AX-0085 and 2010-WL-AX-0003, NMCSAP officials described some programmatic contract and subgrant oversight, but we did not find any indication of financial oversight and identified related deficiencies during our audit, including contracts with missing signatures, expenses outside of the approved budget or contract, a missing contract, and the appearance of a conflict of interest. Additionally, when we requested the supporting documentation for some contract expenses, it was necessary for NMCSAP officials to obtain the documentation from the contractor because they had not received the support from the contractors previously.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures for adequate monitoring of contractors and subgrantees.

6. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that

paychecks are issued after completion and verification of all employee time for the pay period.

In response to our recommendation, on page 46 of this report, NMCSAP stated that personnel policies and procedures were revised to insure [sic] that employees provide timely documentation prior to obtaining a paycheck. NMCSAP also stated that the accountant has instituted electronic direct deposit as a means to ensure that all timesheets are completed and reviewed in a timely manner for state fiscal year 14 (July 1 2013-June 30 2014). Finally, NMCSAP noted that a new timesheet was instituted in July 2012 to better capture grant hours each pay period. However, no documentation of policies and procedures were provided.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to maintain complete and approved timesheets with original signatures, and ensure that paychecks are issued after completion and verification of all employee time for the pay period.

7. **Resolved.** OVW concurred with our recommendation to remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$10,354 in unsupported fringe benefit expenditures, and \$2,592 in unallowable fringe benefit expenditures. OVW stated in its response that it will coordinate with NMCSAP to remedy the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$10,354 in unsupported fringe benefit expenditures, and \$2,592 in unallowable fringe benefit expenditures.

NMCSAP did not agree with our recommendation and stated, on page 51 of this report that for Grant No. 2010-WL-AX-0003, questioned payroll costs relate to a substitution of an accountant for the Executive Director when an accountant position was filled and the Executive Director was able to transfer the financial management duties to the accountant. NMCSAP noted that the approved grant budget provided for financial management staff costs. NMCSAP further stated that the \$2,605 cited on page 14 as unsupported personnel costs, relate to employees who were released from employment for failure to provide timesheets and that knowledge of their accomplished work is reflected in appearances in court, client feedback, and written work product. Finally, NMCSAP stated that

employee time is monitored by timesheet, supported by either hard copy records of client services, or database time records.

However, as described on pages 14 and 15 of our audit report, for Grant No. 2010-WL-AX-0003, we identified \$2,605 in unsupported personnel costs for the current Executive Director, and two previous Project Attorneys; and \$16 in unsupported fringe benefit costs for the current Executive Director. These questioned costs were not supported by timesheets, therefore we disagree with NMCSAP's response that "employee time is monitored by timesheet, supported by either hard copy records of client services, or database time records," because no documentation was provided. According to the *OJP Financial Guide* and *2012 OVW Financial Grants Management Guide* personnel and payroll records shall include the time and attendance reports for all individuals reimbursed under the award. Additionally, for Grant No. 2010-WL-AX-0003, we identified \$1,150 in unallowable personnel costs paid to the Accountant, and \$154 unallowable fringe benefit costs paid to the current Executive Director and Accountant. The grant budget approved personnel costs for the Executive Director for grant management and allowed some fringe benefits, excluding health insurance. Even though the Accountant replaced the Executive Director, the accountant position was not approved in the grant budget and an appropriate GAN was not submitted. Therefore, we question the related personnel and fringe benefit costs for this position as unallowable. Additionally, because the grant budget did not approve the Executive Director's health insurance and an appropriate GAN was not submitted; we questioned the Executive Director's health insurance expenses as unallowable. NMCSAP stated that it will provide documentation to OVW detailing all other questioned costs.

Also, in its' response, NMCSAP stated that they had attached timesheets for a portion of the questioned personnel costs. The timesheets mentioned pertained to Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004. After review of the timesheets, we noted that the majority of the timesheets mentioned were provided earlier in the audit. The remaining timesheets did not support the allocation of salary payments noted in the grant and cooperative agreement accounting records. Therefore, we still consider these personnel costs to be unsupported.

Additionally, based on NMCSAP's response on page 48 and documentation provided for recommendation 9 of this report regarding health benefit options it provided to staff prior to 2013, the

recommendation related to unsupported fringe benefit costs was reduced by \$1,200, and the unallowable fringe benefit costs was increased by \$1,200. As a result, the total questioned payroll costs did not change; however, we found that, NMCSAP paid \$9,154 in fringe benefit expenses that were not supported and \$3,792 in fringe benefit expenses that were not allowable.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has remedied the \$73,359 in questioned payroll costs, including \$54,683 in unsupported personnel expenditures, \$5,730 in unallowable personnel expenditures, \$9,154 in unsupported fringe benefit expenditures, and \$3,792 in unallowable fringe benefit expenditures.

8. **Resolved.** OVW concurred with our recommendation to remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees. OVW stated in its response that it will coordinate with NMCSAP to remedy the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees.

NMCSAP did not agree with our recommendation and on page 47 of this report, stated that all positions and the individuals filling those positions were included in the grant proposal budget and budget narratives that were submitted and approved by OVW. NMCSAP further stated that these positions were neither identified nor scoped as full time positions within the proposal and were in fact reported as part-time positions on all OVW approved semi-annual reports since 2007. NMCSAP also stated that it has been transparent in its identification of individuals who are performing grant tasks. As an example of this, it stated that when Grant No. 2011-EW-AX-K004 was awarded, the Project Director contacted OVW Grant Manager and requested that the salary that was awarded in the grant be reallocated and shared between the Project Director and the Project Assistant and a GAN was submitted and approved. NMCSAP provided documentation of this GAN.

As mentioned on page 17 of our audit report, the budgets did not indicate that the positions were part-time and in our judgment, based on the budgeted amounts, the positions appeared to be full-time salaries. Additionally, NMCSAP provided a FY 2013 salary breakdown by funding source, which showed the Project Director and Project Assistant being paid what we consider full-time positions for both Grant No. 2007-WR-AX-0085 and Cooperative Agreement

No. 2011-EW-AX-K004, and the Project Director and Project Assistant were also being paid by a third funding source. Further, progress reports are not part of the grant budgeting process and are not used to establish a grant budget. However, we reviewed the progress reports for Grant No. 2007-WR-AX-0085 and there was no indication that these positions were reported as part-time positions. Finally, the GAN submitted on March 20, 2012, for Cooperative Agreement No. 2011-EW-AX-K004 re-allocated the Project Director's salary to both the Project Director and Project Assistant. However, there is no mention of any time allocation for these positions in the GAN. Therefore, we still consider the compensation for multiple full-time salaries paid to the same employees to be unallowable.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has remedied the \$375,939 in unallowable compensation for multiple full-time salaries paid to the same employees.

9. **Resolved.** OVW concurred with our recommendation to remedy the \$92,920 in unsupported other direct costs and \$46,253 in unallowable other direct costs. OVW stated in its response that it will coordinate with NMCSAP to remedy the \$92,920 in unsupported other direct costs and \$46,253 in unallowable other direct costs.

NMCSAP did not agree with our recommendation and provided additional documentation for some of the questioned costs for Grant No. 2007-WR-AX-0085 and Cooperative Agreement No. 2011-EW-AX-K004. The documentation included training documents and additional receipts including documentation supporting \$19,934 in questioned costs for Grant No. 2007-WR-AX-0085 and \$3,217 in questioned costs for Cooperative Agreement No. 2011-EW-AX-K004. As a result, the recommendation in our final report related to unsupported direct costs was reduced by \$23,151 (\$19,934 for Grant No. 2007-WR-AX-0085 and \$3,217 for Cooperative Agreement No. 2011-EW-AX-K004). NMCSAP also discussed health benefits in its response to this recommendation; however, the questioned costs related to health benefits are discussed in recommendation 7.

Additionally, NMCSAP provided documentation for the Train the Trainer training event, the printing payment, and the DOJ Rural Grant meeting. However, we determined that the supporting documentation provided by NMCSAP was inadequate. Specifically, the receipts provided for the Train the Trainer training event did not

correspond to the transactions in the accounting records and we could not reconcile the receipt charges to the accounting records. The documentation did not support a staff member's payment to the printing vendor and receipts were not provided for the DOJ Rural Grant meeting. Therefore, we still consider these costs unsupported. Finally, the National Professional Training Conference on Responding to Crime Victims with Disabilities was not approved in the grant budget or by the submission of an appropriate GAN, and the Project Director was paid a salary in addition to the contractor pay she received for this conference. As a result, we still consider these costs to remain unallowable. NMCSAP stated that it will provide documentation to OVW detailing all other questioned costs.

On page 52 of this report, NMCSAP stated for Grant No. 2010-WL-AX-0003 the video-taped depositions were unanticipated because discovery for this kind of hearing is not a typical expense, but as it involves safety, it is done on an expedited timeline without the minimum time for a GAN. Additionally, NMCSAP's response also stated that one expense was for advertising the Legal Advocate positions in rural areas. However, video depositions and advertising for positions were not approved in the grant budget and the appropriate GANs were not submitted. Therefore, we still consider these costs to be unallowable.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has remedied the \$69,769 in remaining unsupported other direct costs and \$46,253 in unallowable other direct costs.

10. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation.

NMCSAP neither agreed nor disagreed with this recommendation and stated, on page 49 of this report, that, "Policies and procedures are now in active practice to document that all expenses are properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation." However, no documentation of policies and procedures were provided.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to document expenses as properly authorized, expenses are accurately recorded and classified in the accounting records, receipts are maintained for all grant and cooperative agreement credit card purchases, and the general ledger entries are detailed enough to trace expenditures to supporting documentation.

11. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support FFRs. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures to ensure the accuracy of FFRs and maintain documentation to support FFRs.

NMCSAP neither agreed nor disagreed with this recommendation and stated, on page 49 of this report, that FFR's are scheduled on the accountant's wall calendar, and computer calendar with a phone reminder. NMCSAP also stated that amounts recorded on the FFR's match exactly the amounts on the accounting sheets generated from NMCSAP accounting program. However, no documentation of policies and procedures were provided.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to ensure the accuracy of FFRs and maintain documentation to support FFRs.

12. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to ensure timely submissions of progress reports. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures to ensure timely submissions of progress reports.

NMCSAP neither agreed nor disagreed with this recommendation and stated, on page 49 of this report, that “[f]or 2010-SW-AX-0026 (GTC) the Executive Director has included progress report reminders on her phone and computer to insure [sic] timely delivery of all reports in the future.” However, no documentation of policies and procedures were provided.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to ensure timely submissions of progress reports.

13. **Resolved.** OVW concurred with our recommendation to develop policies and procedures to maintain supporting documents for information reported in progress reports at the time the progress report is completed. OVW stated in its response that it will coordinate with NMCSAP to develop policies and procedures to maintain supporting documents for information reported in progress reports at the time the progress report is completed.

NMCSAP agreed that methods for supporting documentation on all grants and cooperative agreements need to be enhanced and monitored more closely. NMCSAP further stated, on pages 49 and 50 of this report, that the “[n]ew procedures have been implemented to provide more qualitative and quantitative data to support the semi-annual reports. This documentation will be uploaded each month on the GMS system as an accompaniment to the progress report. Additionally, all project directors will keep a file of supporting documentation that will be maintained for each Progress Report submitted.” However, no documentation of policies and procedures were provided.

Additionally on pages 53 through 55 of this report, NMCSAP stated that for Grant No. 2010-WL-AX-0003 “Nineteen of the questioned items for progress reporting show documentation of services exceeding that which was reported.” NMCSAP further stated that “This disparity is explained by periodic updates to client records which change the ‘count’ retroactively within our database,” which is also stated in our audit report. However, as stated on page 23 of our audit report, NMCSAP officials stated that variances in the progress report information reflects data that occurred after the progress report was issued. In its response, NMCSAP also provided additional claims of accomplishments that should have been provided to the OIG during the verification of progress report data. However, in reviewing these claims of accomplishments, we determined that the

information in these claims were already included in the documentation previously provided, in some instances contradicted previously provided information, and no supporting documentation was provided to support these claims.

This recommendation can be closed when we receive documentation demonstrating that NMCSAP has developed policies and procedures to maintain supporting documents for information reported in progress reports at the time the progress report is completed.

14. **Resolved.** OVW concurred with our recommendation to ensure grants are closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*. OVW stated in its response that it will coordinate with NMCSAP to ensure grants are closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.

NMCSAP neither agreed nor disagreed with this recommendation. In its response, on page 50 of this report, NMCSAP stated that, a grant was not closed out in a timely manner only once following a very long run of a Grants to Coalition OVW grant. NMCSAP stated that it was not accustomed to the change from a continuation grant to an annual grant and that the Executive Director will follow all federal grants closely each year to insure [sic] that all grants are properly closed out in a timely fashion." However, no evidence was provided to ensure grant closure in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.

This recommendation can be closed when we receive documentation demonstrating that grants awarded to NMCSAP are closed out in a timely manner and in accordance with the *2012 OVW Financial Grants Management Guide*.