



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE CORRECTIONAL
FACILITIES ON TRIBAL LANDS TRAINING AND
TECHNICAL ASSISTANCE PROGRAM GRANTS
AWARDED TO JUSTICE SOLUTIONS GROUP
CLOSTER, NEW JERSEY**

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

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June 2014

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EXECUTIVE SUMMARY

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of four Correctional Facilities on Tribal Lands Training and Technical Assistance Program grants totaling \$6,856,394 awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), to Justice Solutions Group (JSG).¹ The purpose of these grants is to provide training and technical assistance to award recipients to facilitate the design, construction, or renovation of correctional facilities on tribal lands used for the incarceration of offenders subject to tribal jurisdiction. Training and technical assistance services are provided to tribes on an as-needed basis through the facility development process to ensure that tribal correctional facilities are safe and secure, supportive of cultural and traditional values, appropriate for the intended population, constructed within budget, and consistent with current standards regarding correctional operations, programs, and design.

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

As shown in the table below, from February 1, 2008, through September 1, 2009, JSG was awarded a total of \$6,856,394 to assist grantees under the Correctional Facilities on Tribal Lands Program.²

¹ OJP Grant Nos. 2008-IP-BX-K001, 2009-IP-BX-K002, 2009-S4-BX-K146, and 2009-ST-B9-0101.

² OJP made two additional supplemental awards totaling \$838,221 to JSG in September 2010, subsequent to our field work. The supplemental awards were not part of our audit.

TABLE 1: CORRECTIONAL FACILITIES ON TRIBAL LANDS TRAINING AND TECHNICAL ASSISTANCE PROGRAM - GRANTS AWARDED TO JSG

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT	AMOUNT DRAWDOWN AS OF 02/01/2010
2008-IP-BX-K001	02/01/2008	09/30/2010	\$ 999,871	\$ 717,500
2009-S4-BX-K146	09/01/2009	02/28/2011	369,394	500
2009-IP-BX-K002	08/01/2009	07/31/2011	999,794	500
2009-ST-B9-0101 ³	09/01/2009	08/31/2011	4,487,335	79,103
TOTALS			\$6,856,394	\$797,603

Source: OJP

Based on the drawdowns as of February 1, 2010, for these grants, our analysis focused primarily on Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101. We examined JSG's accounting records, financial and progress reports, and operating policies and procedures. For the grants that we reviewed, we identified over \$700,000 in unallowable or unsupported costs.⁴ This includes JSG compensating its President \$253,326 in 2009, which was \$58,626 above the maximum allowable salary of \$194,700 and paying \$18,187 in bonuses and related fringe benefits to JSG employees.⁵ We also found that JSG:

- lacked sufficient internal controls to safeguard grant funds;
- did not adhere to OJP and internal procurement guidelines to ensure that grant expenditures were allowable, accurately recorded, properly authorized, and properly supported;
- did not sufficiently control and manage the approved budgets;
- did not adhere to OJP guidelines regarding accountable property;
- submitted inaccurate Financial Status Reports (FSRs) and 2009 American Recovery and Reinvestment Act (Recovery Act) Reports;
- did not properly support the performance metrics listed in the Progress Reports; and
- lacked sufficient monitoring of consultants.

³ Grant No. 2009-ST-B9-0101 was awarded under the American Recovery and Reinvestment Act (Recovery Act).

⁴ In July 2013, JSG provided additional documentation to the OIG that pertained to questioned costs. Although this documentation was not provided to us during the audit, we have reviewed the additional documentation and revised this report accordingly.

⁵ During our site work, the President of JSG refused to provide any documentation to support the basis of the bonuses paid with grant funds.

These issues are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.⁶

⁶ During this audit, we identified certain issues requiring further investigation. We made a referral to the OIG's Investigations Division and put our audit on hold pending resolution of the referral. Subsequently, we were able to complete our audit and issue this report.

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INTRODUCTION

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

As shown in Table 1, from February 1, 2008, through September 1, 2009, JSG was awarded a total of \$6,856,394 to assist grantees under the Correctional Facilities on Tribal Lands Program. Based on the amount of drawdowns as of February 1, 2010, our analysis focused primarily on Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101.²

¹ OJP Grant Nos. 2008-IP-BX-K001, 2009-IP-BX-K002, 2009-S4-BX-K146, and 2009-ST-B9-0101.

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TOTALS			\$6,856,394	\$797,603

Source: OJP

Background

OJP's mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. To support this mission, the BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system, with goals to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions.

According to its application materials, JSG had experience in justice system and facility programming and planning for states, counties, and tribes throughout the United States. JSG's program narrative stated that it has built relationships and facilitated cooperation among tribes, the BJA, the Bureau of Indian Affairs (BIA), the National Institute of Corrections (NIC), and other state, federal, and tribal agencies to cost effectively design, construct and renovate correctional facilities. According to JSG, it provides an array of services including system analysis, needs assessment, master plan development, space programming, staffing analysis, program design, scenario development, policies and procedures, post orders, and transition and operational planning services.

Through the BJA funding, JSG officials indicated that they would facilitate workshops; develop and disseminate instructional materials and publications; deliver on-site and off-site technical assistance; and host webinars and telephone conferences with tribal grantees in an effort to provide tribal communities with the knowledge, skills, and methodology to develop effectively functioning justice systems that promote public safety by utilizing a range of facilities, sanctions and services consistent with offender risks and needs.

³ Grant No. 2009-ST-B9-0101 was awarded under the American Recovery and Reinvestment Act (Recovery Act).

OIG Audit Approach

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are contained in the *OJP Financial Guide* and the award documents. Specifically, we tested JSG's:

- **internal control environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants;
- **grant drawdowns** to determine whether grant drawdowns were adequately supported and if JSG was managing grant receipts in accordance with federal requirements;
- **grant expenditures** to determine the accuracy and allowability of costs charged to the grants;
- **budget management and control** to ensure JSG was in compliance with the *OJP Financial Guide* requirements;
- **Financial Status Reports (FSRs), Progress Reports, and the 2009 American Recovery and Reinvestment Act (Recovery Act) Reports** to determine if the required FSRs, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflect grant activity;
- **grant objectives and accomplishments** to determine if JSG met or was capable of meeting the grants' objectives; and
- **management of consultants** to determine how JSG administered contracts under the grant.

The issues identified during the course of our audit are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.⁴

⁴ During this audit, we identified certain issues requiring further investigation. We made a referral to the OIG's Investigations Division, and put our audit on hold pending resolution of the referral. Subsequently, we were able to complete our audit and issue this report.

FINDINGS AND RECOMMENDATIONS

We found that JSG's internal controls were not adequate to manage grant funds and ensure compliance with all applicable laws, regulations, guidelines, and special conditions of the grants. The lack of internal controls resulted in a total of \$714,282 in unallowable and unsupported expenditures by JSG. In addition, we found that JSG was deficient in its accounting of equipment and property; filed inaccurate FSR and Recovery Act Reports; lacked proper support for performance metrics in its Progress Reports; and insufficiently monitored consultants.⁵

Internal Control Environment

We reviewed JSG's financial management system, policies and procedures, and Audit Reports to assess the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed individuals regarding the policies and procedures in several areas such as payroll, purchasing, and accounts payable, and observed accounting activities to further assess risk.

Circular A-133 Audit

According to special conditions placed on Grant Nos. 2008-IP-BX-K001, 2009-S4-BX-K146, 2009-IP-BX-K002, and 2009-ST-B9-0101 by OJP, JSG was required to comply with the organizational audit requirements of the Office of Management and Budget (OMB) Circular A-133. This requires award recipients to perform an annual audit with the report due no later than 9 months after the end of the fiscal year (FY) if they incurred more than \$500,000 in grant expenditures. We found that JSG was below the threshold of grant expenditures for FY 2008. Therefore, a single audit was neither required nor conducted. JSG had exceeded \$500,000 in grant expenditures in FY 2009, so an annual audit was required for that year. However, the FY 2009 Single Audit Report was not due until September 2010.⁶

Financial Management System

According to the *OJP Financial Guide*, a grantee is responsible for establishing and maintaining an adequate system of accounting, financial records, and internal controls to accurately account for the funds awarded to them. An acceptable and adequate system must: (1) present and classify projected historical costs of the grant as required for budgetary and evaluation purposes; (2) provide costs and property control to ensure optimal use of funds; (3) control funds and other

⁵ In July 2013, JSG provided additional documentation to the OIG that pertained to questioned costs. Although this documentation was not provided to us during the audit, we have reviewed the additional documentation and revised this report accordingly.

⁶ The FY 2009 Single Audit Report was due outside the scope of our audit; therefore, we did not conduct a review of the report.

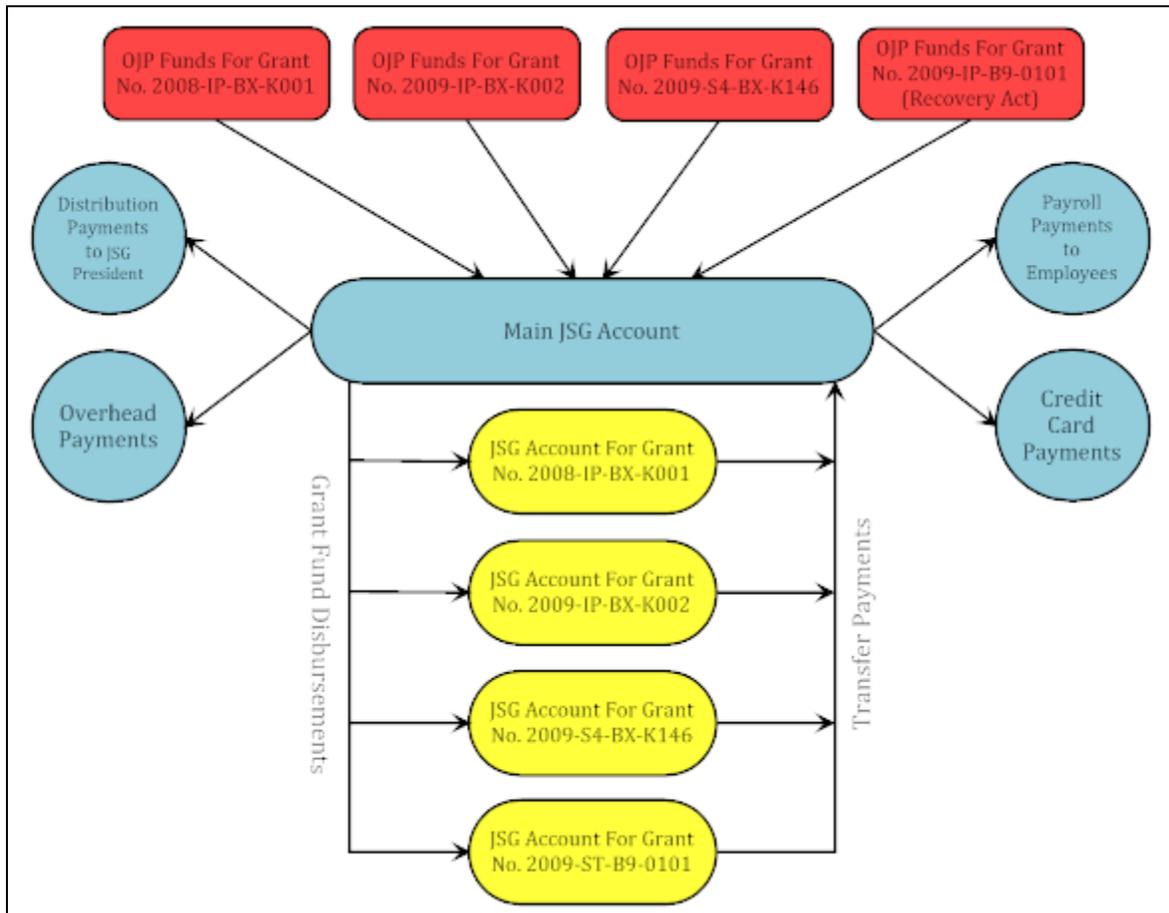
resources to assure that the expenditure of funds and use of property conform to any general or special conditions that apply to the recipient; (4) meet the prescribed requirements for periodic financial reporting of operations; and (5) provide financial data for planning, control, measurement, and evaluation of direct and indirect costs.

Our review found JSG's system of accounting, financial records, and internal controls to be insufficient to accurately account for the approximately \$6.9 million awarded to JSG. Specifically, we found that at the time of our audit, JSG maintained six different bank accounts for day-to-day operations. Each grant that JSG administered had its own separate bank account.⁷ Funds were drawn down electronically from the Phone Activated Paperless Request System (PAPRS) and deposited into the main JSG account.⁸ JSG officials then transferred funds to the corresponding grant bank account. Company-wide transactions, including payroll, fringe benefits, and overhead, were paid through the main JSG account. Travel expenses such as airfare and lodging were initially paid by credit card and subsequently repaid from the main JSG account. To cover grant expenses incurred in the main JSG account, individual and lump sum transfers were made from the grant accounts into the main JSG account. JSG officials informed us that, following the transfers, checks were written from the main JSG account to cover the expenses incurred under the grant.

⁷ The six bank accounts included one account for each of the four grants, the main JSG account, and one account for an additional company operated by JSG, International Partnership for Youth.

⁸ JSG officials informed us that originally they had tried to have funds deposited directly from the PAPRS system into each grant account so that grant funds would not be comingled. However, the PAPRS system did not allow deposits to more than one bank account.

CHART 1: FLOW OF GRANT FUNDS FROM OJP UNTIL FINAL PAYMENT FOR THE TRANSFER PAYMENTS IDENTIFIED IN ACCOUNTING RECORDS



Source: JSG and OIG

To track expenditures, each bank account had a corresponding Excel spreadsheet in which JSG recorded transactions that pertained to each account. For grant transfer payments to the main JSG account, the total amount of the transfer was recorded in the grant spreadsheet and the corresponding expenditures were listed in the main JSG account spreadsheet. As described in greater detail in the following sections, we determined that JSG’s accounting system could not classify grant expenditures by budget category, did not provide for cost and property control, lacked sufficient controls to assure that the expenditure of funds conform to general and special conditions, and did not meet the prescribed requirements of periodic financial reporting of operations. Additionally, of the transactions we reviewed, approximately 15 percent from Grant No. 2008-IP-BX-K001 and 3 percent from Grant No. 2009-ST-B9-0101 were not accurately recorded in JSG’s accounting records and approximately 58 percent from Grant No. 2008-IP-BX-K001 and 77 percent from Grant No. 2009-ST-B9-0101 of the transactions reviewed had not been properly authorized due to a lack of adherence to JSG’s expense reimbursement approval policies and procedures. As a result of the areas of non-compliance identified with the accounting system, it

appears that JSG's accounting system and financial records were not adequate or acceptable for the management of grant funds.

Drawdowns

According to the *OJP Financial Guide*, grant recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements to be made immediately or within 10 days. Additionally, recipients must develop procedures for the disbursement of funds to ensure that federal cash on hand is kept at a minimal balance. JSG did not have formal procedures and did not conduct financial reviews to ensure federal cash on hand was kept at a minimal balance and spent within the 10 day period. JSG officials stated that drawdown requests were based on a combination of incurred expenses and an estimate of funds that will be needed for upcoming expenses within the next 2 weeks.

We tested all drawdowns for Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101. Testing included an analysis of cumulative drawdowns for each grant and JSG's adherence to the 10 day requirement. We determined the accuracy of JSG's Request for Reimbursement by reconciling total drawdowns reported by OJP to JSG's accounting records. Based on our comparison, we identified seven instances in Grant No. 2008-IP-BX-K001 and one instance in Grant No. 2009-ST-B9-0101 where drawdowns exceeded expenditures. Also, we found that JSG's total drawdowns exceeded total expenditures for both grants. These discrepancies are discussed in detail in the following sections.

Analysis of Drawdowns for Grant No. 2008-IP-BX-K001

As shown in Table 2, after comparing the accounting records for Grant No. 2008-IP-BX-K001 to drawdowns as reported by OJP, we found seven instances, totaling \$5,153, where drawdowns exceeded expenditures. Of the seven, we identified three instances in which the disbursements were not made within 10 days as required.

TABLE 2: COMPARISON OF DRAWDOWNS TO ACCOUNTING RECORDS FOR GRANT NO. 2008-IP-BX-K001⁹

DATE OF DRAWDOWN PER OJP	AMOUNT DRAWN PER OJP	EXPENDITURES PER ACCOUNTING RECORDS FOR DRAWDOWN PERIOD	DIFFERENCE BETWEEN DRAWDOWNS AND EXPENDITURES	IF DRAWDOWN EXCEEDS EXPENDITURES; ADDITIONAL FUNDS OBLIGATED WITHIN 10 DAYS OF DRAWDOWN	EXCESS CASH ON HAND
10/14/2008	\$ 50,000	\$ 90	\$ 49,910	\$ 0	\$49,910
12/19/2008	30,000	42,505	(12,505)	NA	NA
01/13/2009	75,000	37,219	37,781	71,951	NA
02/17/2009	50,000	80,976	(30,976)	NA	NA

⁹ 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.

DATE OF DRAWDOWN PER OJP	AMOUNT DRAWN PER OJP	EXPENDITURES PER ACCOUNTING RECORDS FOR DRAWDOWN PERIOD	DIFFERENCE BETWEEN DRAWDOWNS AND EXPENDITURES	IF DRAWDOWN EXCEEDS EXPENDITURES; ADDITIONAL FUNDS OBLIGATED WITHIN 10 DAYS OF DRAWDOWN	EXCESS CASH ON HAND
03/20/2009	50,000	35,967	14,033	51,990	NA
04/07/2009	50,000	53,408	(3,408)	NA	NA
06/01/2009	25,000	52,882	(27,882)	NA	NA
06/12/2009	145,000	21,962	123,038	140,266	NA
08/25/2009	40,000	148,770	(108,770)	NA	NA
09/22/2009	80,000	33,775	46,225	85,754	NA
11/02/2009	16,000	85,754	(69,754)	NA	NA
11/17/2009	30,000	15,000	15,000	2,578	12,422
12/01/2009	30,000	2,578	27,422	25,653	1,769
12/22/2009	41,500	54,250	(12,750)	NA	NA
01/04/2010	5,000	47,211	(42,211)	NA	NA
TOTAL	\$717,500	\$712,347	\$ 5,153		

Source: OJP and JSG

For the three instances where drawdown funds were not expended within 10 days, we inquired with JSG officials regarding the cause of the non-compliance.

- October 14, 2008: JSG officials stated that historically BJA permitted JSG to drawdown up to \$50,000 of operating capital without the 10 day limitation. We were not provided documentation to support BJA's authorization for JSG to maintain \$50,000 of operating capital without adhering to the 10 day policy.
- November 17, 2009: JSG explained that the funds were expended by December 21, 2009, and that they have implemented policies to reduce the delay in the disbursement or reimbursement of funds. Again, we were not provided any documentation to support the implementation of such policies or explanation of what the policies entail.
- December 1, 2009: JSG officials indicated that the OJP's Office of the Chief Financial Officer (OCFO) permitted them to maintain a minimum balance of up to \$5,000 in their accounts in order to avoid penalties and maintain active accounts for each grant. We were not provided documentation to support the OCFO's approval allowing JSG to maintain a minimum balance in their account.

Analysis of Drawdowns for Grant No. 2009-ST-B9-0101

We also compared the accounting records for Grant No. 2009-ST-B9-0101 to drawdowns reported by OJP, as shown in Table 3. We found one instance where the drawdown amount exceeded expenditures in the amount of \$23,103. The funds from this drawdown were also not expended within the 10 day requirement.

TABLE 3: COMPARISON OF DRAWDOWNS TO ACCOUNTING RECORDS FOR GRANT NO. 2009-ST-B9-0101

DATE OF DRAWDOWN PER OJP	AMOUNT DRAWN PER OJP	EXPENDITURES PER ACCOUNTING RECORDS FOR DRAWDOWN PERIOD	DIFFERENCE BETWEEN DRAWDOWNS AND EXPENDITURES	IF DRAWDOWN EXCEEDS EXPENDITURES; FUNDS OBLIGATED WITHIN 10 DAYS OF DRAWDOWN	EXCESS CASH ON HAND
01/15/2010	\$ 79,103	\$ 55,999	\$ 23,103	\$ 0	\$23,103
TOTAL	\$79,103	\$55,999	\$23,103		

Source: OJP and JSG

We asked JSG officials about the discrepancies and were informed that “payments were delayed due to competing demands of [the] OIG audit.” However, our audit did not begin until February 8, 2010, while the drawdown occurred on January 15, 2010. According to the *OJP Financial Guide*, the expenses to support this drawdown should have been incurred prior to the drawdown on January 15, 2010, or by January 25, 2010, 10 days after the drawdown. Therefore, JSG had 14 business days from the date of the drawdown to expend and record the funds prior to the OIG’s arrival. Furthermore, JSG did not provide any supporting documentation for the drawdown from Grant No. 2009-ST-B9-0101 until our second site visit on March 8, 2010, giving JSG an additional 19 business days to expend and update the accounting records. During our site visit, we were provided an additional \$640 in expenditures to support the drawdown. As of April 23, 2010, 68 business days after the drawdown, JSG had an unsupported balance from the drawdown of \$22,463, which represented funds that had not been expended and recorded appropriately.¹⁰

Summary of Drawdown Analysis

In our judgment, JSG did not adequately address the four identified instances of non-compliance with drawdown requirements, and JSG did not provide any written policies or procedures for keeping minimal cash on hand. As a result, we recommend that OJP ensure that JSG implements policies and procedures related to cash management to ensure that federal cash on hand is kept to the minimum needed and that drawdown funds are spent within the 10 day requirement. Additionally, since JSG’s cumulative drawdowns exceeded expenditures, we questioned the \$5,153 from Grant No. 2008-IP-BX-K001 and the \$22,463 from Grant No. 2009-ST-B9-0101 in excess drawdowns as unsupported, as shown in

¹⁰ We had requested JSG provide any additional supporting documentation by April 23, 2010.

Table 5 and Table 6. We recommend that OJP remedy the \$27,616 in questioned costs as part of the total questioned costs detailed in the following sections.

Transaction Testing

On February 8, 2010, we conducted our first site visit and requested supporting documentation for a judgmentally selected sample of 44 transactions from the accounting records provided by JSG for Grant No. 2008-IP-BX-K001. Transactions related to Grant No. 2009-ST-B9-0101 were not selected at this time because JSG did not provide the requested accounting records for this grant. JSG officials stated that they were in the process of updating the records. As of February 11, 2010, JSG had provided documentation for 6 of the 44 selected transactions under Grant No. 2008-IP-BX-K001. Upon review of these six transactions, we found several unallowable expenses charged to the grant, including tips and consultant payments. Additionally, none of these six transactions were sufficiently supported.

Based on the initial risks identified, we informed JSG on February 16, 2010, that we were expanding our transaction testing to include all expenditures listed in the accounting records for Grant No. 2008-IP-BX-K001.¹¹ Additionally, since JSG did not provide complete accounting records for Grant No. 2009-ST-B9-0101 to support the only drawdown made since the grant began, which totaled \$79,103 as of February 1, 2010, we requested documentation to support the entire drawdown.¹² We requested this documentation be made available for review on March 8, 2010.

On March 8, 2010, we conducted our second site visit to JSG. At this time, we were provided supporting documentation for grant expenditures through January 31, 2010, for Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101. Also, as of January 31, 2010, we found that JSG obligated an additional \$31,899 for payroll, fringe, and overhead charges to Grant No. 2008-IP-BX-K001, which had not been entered into the accounting records. Our transaction analysis included all funds listed in the accounting records, as well as funds obligated to the grant but not recorded in accounting records.

According to JSG officials, at the time of our audit, before a payment was made, the office bookkeeper reviewed each invoice, reimbursement request, or payroll request for the proper support and allowability. The company President then reviewed and approved the expense. Once approved, the bookkeeper wrote a check, the President signed the check, the payment was made, and the bookkeeper entered the expense into the accounting records. JSG required additional approvals

¹¹ As of January 31, 2010, accounting records provided by JSG showed expenditures totaling \$720,797.

¹² Accounting records provided by JSG for Grant No. 2009-ST-B9-0101 listed total expenditures of \$56,640. The unsupported difference of \$22,463 was previously questioned in this report as drawdowns in excess of expenditures.

for employee and consultant expense reimbursement requests; the employee or consultant submitting the request was required to sign the request and the team leader was required to sign the form and verify the services were provided. JSG officials stated that all operational and accounting procedures were verbally communicated to JSG employees and consultants, and as a small company they had not needed to formalize these procedures. However, in light of the increased requirements of the Recovery Act, JSG had been working to formally document these procedures.

Based on our review of the documentation provided during this visit, we identified numerous deficiencies and areas of non-compliance, which are detailed below.

Lack of Proper Approval

We identified 151 of the 260 (58 percent) transactions tested from Grant No. 2008-IP-BX-K001, totaling \$486,057, and 30 of the 39 (77 percent) expenses tested from Grant No. 2009-ST-B9-0101, totaling \$43,323, that had been paid without the approvals required by JSG's internal policy detailed above.¹³ The lack of approval for these transactions indicates that the approval process required by JSG was not consistently followed, thus increasing the risk of unallowable and unsupported expenses being charged to the grant.

Accurately Recorded

We also found that 15 percent of the transactions from Grant No. 2008-IP-BX-K001 and 3 percent of the transactions from Grant No. 2009-ST-B9-0101 were not accurately recorded in the accounting records provided by JSG.¹⁴ For these items, the support provided by JSG did not match the amount recorded in the accounting records, as shown in Table 4.

TABLE 4: SUMMARY OF INACCURATELY RECORDED TRANSACTIONS FOR GRANT NO. 2008-IP-BX-K001

JSG TRANS. No.	DESCRIPTION	AMOUNT FROM ACCOUNTING RECORDS	AMOUNT FROM SUPPORT	DIFFERENCE
Personnel				
6	September, 2008 Payroll, Fringe Benefits, and Overhead	\$15,000	\$15,181	\$(181)
13, 17, 22	4 th Quarter Payment (October-December 2008) Payroll, Fringe Benefits, and	77,211	45,543	31,668

¹³ A total of 181 of the 299 transactions that we had tested (61 percent) under both grants had been paid without proper approval as required by JSG policy.

¹⁴ These inaccuracies represented 13 percent (24 out of 188) of the transactions reviewed from JSG's original accounting records. This calculation counts the 112 individual transactions we identified from the expenditures totaling \$97,813 from Grant No. 2008-IP-BX-K001 as one aggregated transaction.

JSG TRANS. No.	DESCRIPTION	AMOUNT FROM ACCOUNTING RECORDS	AMOUNT FROM SUPPORT	DIFFERENCE
	Overhead			
34, 36, 45, 54	1 st Quarter Payment (January-March 2009) Payroll, Fringe Benefits, and Overhead	77,211	\$77,675	(464)
58, 63, 78 ¹⁵	2nd Quarter Payment (April-June 2009) Payroll, Fringe Benefits, and Overhead	77,211	77,675	(464)
111, 116	3rd Quarter Payment (July-September 2009) Payroll, Fringe Benefits, and Overhead	77,211	77,675	(464)
128, 133, 161 ¹⁶	4th Quarter Payment (October-December, 2009) Payroll, Fringe Benefits, and Overhead	77,211	81,861	(4,650)
Travel				
57	BJA W/S-SD-Cancelled	\$ 135	\$ 531	\$ (396)
107	Fort Peck, MT	1,292	1,430	(138)
113	TJSW session, Tulsa, OK	2,545	2,995	(450)
131	Advisory Comm. Washington DC	1,499	2,730	(1,231)
132	Advisory Comm. Washington DC	1,079	1,261	(182)
133	Nov. monthly & expenses (Non-Payroll Expenses)	\$3,845	\$1,680	\$2,165
144, 145	Fort Peck, Billings, MT	1,847	2,813	(966)
Other				
78	2nd Quarter Expenses (April-June, 2009 Non-Payroll Expenses)	50,602	51,050	(448)
Grant No. 2009-ST-B9-0101				
Travel from 2010 Expenses				
8	BJA/BIA Meeting, Washington, DC	\$30	\$890	\$(860)

Source: JSG and OIG

There were no journal entries to account for the differences and no explanation regarding the discrepancies. Errors in accounting records indicates that a grantee may not be properly managing or monitoring grant funds to ensure the

¹⁵ JSG transaction No. 78 was comprised of 112 separate transactions, which included personnel and non-personnel expenses. The personnel-related expenses are represented here in the "Personnel" category, and the non-personnel expenses for transaction No. 78 are represented in the "Other" category. The personnel-related expenses for transaction No. 78 included both the June and 2nd quarter payments. However, documentation to support payroll transactions was also inaccurate and to maintain consistency they were specifically identified in this chart.

¹⁶ JSG transaction No. 133: Total transaction cost was \$18,845 for payroll and travel expenses. However, to maintain consistency with presentation of payroll inaccuracies these payments are separately identified in this chart.

records are complete and accurate. Without accurate accounting records, evaluations and budgetary analysis will not be correct or reliable.

Grant No. 2008-IP-BX-K001 Unallowable and Unsupported Costs

During our review of supporting documentation for each of the transactions listed in JSG's accounting records, we identified one transaction for \$97,813 that was comprised of 112 individual expenditures related to travel, purchases of supplies, salary, fringe, overhead, and equipment. After including the 112 individual items from the \$97,813 transaction, our review encompassed 260 transactions from the accounting records of Grant No. 2008-IP-BX-K001 totaling \$720,797, in addition to \$31,899 in obligated funds not yet entered into the financial records. As shown in Table 5, we identified \$649,844 (91 percent) in questioned costs from our evaluation of the \$717,500 in grant drawdowns as of February, 1, 2010.

TABLE 5: SUMMARY OF QUESTIONED COSTS FOR GRANT NO. 2008-IP-BX-K001

CATEGORY	NO. OF TRANS.	UNALLOWABLE COSTS	UNSUPPORTED COSTS	TOTAL QUESTIONED COSTS
Personnel	17	\$219,833	\$105,363	\$325,196
Direct Salary and Fringe Benefits			105,363	
Bonuses		17,153		
President's Salary and Fringe Benefits		202,680		
Travel		\$ 1,290	\$ 4,840	\$ 6,130
Missing Receipts	11		4,840	
Tips	32	1,065		
Above Allowable Travel Per Diem	5	225		
Equipment		\$ 1,087	-	\$ 1,087
Equipment	1	1,087		
Contractual		\$ 98,345	\$103,655	\$202,000
Payments without fulfilling Federal Acquisition Requirements (FAR) and OJP Financial Guide Requirements	58		103,655	
Over Allowable 10 Percent Budget Movement		71,030		
Payments Made without Fulfilling Contracts Requirements	24	9,686		
JSG Employee Received Additional Consultants Payments	9	13,579		
Consultants Incorrectly Paid for Services Included in Contract	2	3,600		
Other Unallowable Contract Payment	1	450		
Indirect Cost		\$82,312	-	\$82,312
Indirect Costs		82,312		
Other		\$ 1,001	\$32,118	\$33,119

CATEGORY	NO. OF TRANS.	UNALLOWABLE COSTS	UNSUPPORTED COSTS	TOTAL QUESTIONED COSTS
Excess Funds from Lump Sum Monthly and Quarterly payments from the Grant to JSG			25,442	
Drawdowns in Excess of Expenditures			5,153	
Other Missing Receipts	9		1,523	
Alcohol for Workshops	2	129		
Duplicate Payments	4	515		
Costs Outside the Scope of Grant	1	357		
Total	176	\$403,868	\$245,976	\$649,844

Source: JSG and OIG

Personnel

The *OJP Financial Guide* requires grantees to maintain payroll records for all full and part-time employees reimbursed under the award, including time and attendance reports. Additionally, where salaries apply to the execution of two or more grant programs, cost activities, project periods, or overlapping periods, the proration of costs to each activity must be made based on time and effort reports.

Direct Salary and Fringe Benefits

Of the \$646,844 in questioned costs, we questioned \$325,196 in charges associated with direct payroll expenses. While reviewing the accounting records and interviewing JSG officials, we discovered that JSG did not list individual payroll transactions in the accounting records, but instead allocated all salary, fringe, and overhead in estimated lump sum monthly and quarterly payments. We requested supporting documentation for the lump sum monthly and quarterly payments, including time sheets for all employees. We were informed that JSG did not maintain payroll records for full-time employees, and although part-time employees maintained timesheets, the time was not allocated to projects or grants. JSG officials explained that salary and fringe benefits are based on an allocation of time for each employee. JSG's President and Senior Associate determine the percentage of time to allocate based on an "educated analysis" of the work done for each project. Because JSG was not in compliance with the maintenance of payroll records, we could not verify the actual time each employee worked on each grant. Therefore, all costs associated with direct salary and fringe benefits totaling \$325,196, were unsupported grant expenditures.¹⁷

¹⁷ JSG charged \$18,819 in indirect salaries and fringe benefits to the grant, which were also not properly supported because they lacked time sheets. As it relates to questioned costs, all indirect costs, including indirect salaries, charged to the grant were questioned as unallowable. To ensure that costs were not double counted, we did not apply the \$18,819 in unsupported indirect salary and fringe benefits costs to our questioned costs calculation in the personnel category.

Although we were not provided sufficient documentation to satisfactorily support salary and fringe benefits, we were able to determine allowability based on the limited documentation provided. To support the \$325,196 in grant funds used to pay for JSG direct salaries and fringe benefits, we were provided allocation spreadsheets for payroll, fringe benefits, and overhead for Grant No. 2008-IP-BX-K001. From these spreadsheets, we determined that of the \$325,196 unsupported costs, \$219,833 of the costs were also unallowable due to the method of distribution, excess salary, non-compliance with the approved compensation plan, and payment of unallowable fringe benefits, as shown in Table 5. To ensure that costs were not double counted, only the difference in unsupported costs, \$105,363, was applied to our questioned costs calculation under unsupported "Direct Salary & Fringe Benefits."

President's Salary and Fringe Benefits

We found that JSG was set up as a sole proprietorship. As a for-profit company, the *OJP Financial Guide* requires the grantee to comply with the cost principles contained in the Federal Acquisition Regulations (FAR). According to the FAR, sole proprietors must not take compensation in the form of a distribution of profits. We found that the President of JSG, as the sole proprietor, received monthly distribution checks from the company instead of a traditional salary payment.¹⁸ As of January 31, 2010, JSG's President received \$202,680 in salary and fringe benefits paid from Grant No. 2008-IP-BX-K001. Because this was an unallowable form of payment, we are questioning all salary and fringe benefits paid to the President of JSG with grant funds as unallowable, as shown in Table 5.

In addition to the unallowable distribution checks, we found that the salary paid to the President of JSG in 2009 exceeded 110 percent of the maximum salary payable to a member of the federal government's Senior Executive Service (SES) at an agency with a Certified SES Performance Appraisal System by \$58,626. According to the grant's Special Conditions, no portion of the federal grant funds shall be used towards any part of the annual cash compensation of any employee of the grantee whose total annual cash compensation exceeds 110 percent of the maximum salary payable to a member of the federal government's SES at an agency with a Certified SES Performance Appraisal System for that year. In 2009, the maximum salary allowable was \$194,700. We determined that the President of JSG's total annual cash compensation in 2009 was \$253,326. As a result of the excess salary, the special condition specifically states that no portion of the President of JSG's 2009 salary that was paid with grant funds was allowable.¹⁹ As shown in Table 5, to ensure questioned costs were not counted twice, we questioned all salary and fringe benefits paid with grant funds to the President of JSG over the life of the grant, which includes the salary paid in 2009, as unallowable under "President's Salary and Fringe Benefits."

¹⁸ The Internal Revenue Service (IRS) characterizes distribution payments as compensation paid to its sole director from the corporation's net income that is not considered wages.

¹⁹ According to JSG officials, the total salary paid using grant funds to the President of JSG in 2009 under Grant No. 2008-IP-BX-K001 was \$141,635.

In addition to questioning the salary of the President of JSG as an unallowable form of compensation and as exceeding the maximum allowable salary, we also found that a portion of the salary was unallowable because of JSG's non-compliance with the established compensation plan in the approved budget.²⁰ The FAR requires that compensation be based upon and conform to the terms and conditions of the established compensation plan. In our opinion, the established compensation plan was detailed in the grant's approved budget. However, we found that the annual salary of the President of JSG during 2008 and 2009 exceeded the annual salary in the approved budget.²¹ As a result, we considered the portion of salaries charged to the grant in excess of the approved budgeted rate to be unallowable.²²

As shown in Table 5, to ensure costs were not double-counted, we questioned all of the salary and fringe benefits paid with grant funds to the President of JSG over the life of the grant as an unallowable form of compensation, which includes the portion of President's salary that was over budget, as unallowable under "President's Salary and Fringe Benefits."

In addition to questioning all fringe benefits paid with grant funds to the President of JSG as an unallowable form of compensation, we identified \$6,723 of the total fringe benefits as unallowable fringe benefits paid with grant funds for the President of JSG's self-employment tax.²³ According to the FAR, charging federal income taxes is an unallowable expense. Self-employment tax is a Social Security and Medicare tax primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners. According to the Internal Revenue Service (IRS) self-employment tax should be paid by the person self-employed on their Individual Income Tax Return, Form 1040. Therefore, self-employment taxes are part of federal income taxes and all self-employment taxes charged to the grant were unallowable. As it relates to our questioned costs analysis in Table 5, we questioned all of the salary and fringe benefits paid with grant funds to the President of JSG over the life of the grant, which includes the self-employment taxes, as unallowable under "President's Salary and Fringe Benefits."

²⁰ Unallowable compensation paid to the President of JSG in excess of the approved budgeted annual salary under Grant No. 2008-IP-BX-K001 was \$100,439.

²¹ The annual salary in the approved budget was \$117,000 for Grant No. 2008-IP-BX-K001. Supporting documentation showed the President's actual salary was \$162,143 in 2008 and \$253,326 in 2009.

²² JSG allocated 54 percent of the President's time to Grant No. 2008-IP-BX-K001 in 2008 and 56 percent in 2009. While we could not verify the allocation base, we applied this methodology and determined the President's salary charged to the grant exceeded the budget by \$24,219 in 2008 and \$76,220 in 2009.

²³ Grant No. 2008-IP-BX-K001 was charged \$1,503 in 2008; \$4,696 in 2009; and \$524 in 2010 for a total of \$6,723 in fringe benefits for the President's self-employment tax. In the budget, under fringe benefits, \$42,525 was approved for the President of JSG. This rate was calculated as 35 percent of direct salary.

Employee Bonuses

We determined that JSG paid \$18,187 in bonuses and related fringe benefits to JSG employees with grant funds, \$17,153 to directly salaried employees, and \$1,033 to indirectly salaried employees.²⁴ According to the *OJP Financial Guide*, salary supplements are prohibited without prior approval from the awarding agency. Additionally, the FAR requires that: (1) bonuses are paid under an agreement entered into prior to the services being rendered or pursuant to a policy or procedures followed by the grantee consistently; and (2) the basis for award is supported. We requested documentation from JSG supporting that BJA officials approved bonuses prior to the award start date and documentation to support the bonuses paid. JSG officials did not provide documentation supporting prior approval from the BJA and refused to provide documentation to support the basis of bonuses paid with grant funds. Therefore, we considered the \$18,187 in bonuses and associated fringe benefits paid with grant funds as unsupported and unallowable. As it relates to questioned costs in Table 5, we determined that \$1,033 of the \$18,187 was questioned as unallowable as part of indirect costs. To ensure that costs were not double counted, only the remaining \$17,153, paid to direct salary and fringe benefits was applied to our questioned costs calculation under "Bonuses."

Our analysis of direct compensation identified \$202,680 in unallowable expenditures as the result of the method of distribution, excess salary, non-compliance with the approved compensation plan, and payment of unallowable fringe benefits. In addition, we considered the bonuses and related fringe benefits paid in the amount of \$17,153 to be unallowable because JSG did not obtain prior approval from the awarding agency and did not provide any documentation supporting the basis of the bonuses. Finally, JSG was unable to provide sufficient documentation to support the remaining \$105,363 in direct compensation charges bringing the total questioned direct personnel costs under Grant No. 2008-IP-BX-K001 to \$325,196.

Travel

The *OJP Financial Guide* requires recipients to follow the federal travel policy if they do not have written travel policies. JSG's policies were verbally communicated to personnel; therefore, they were required to follow the federal travel policy. According to the federal travel policies, travelers must provide a lodging receipt and a receipt for every authorized expense over \$75, or provide a reason acceptable as to why the receipt could not be furnished. During our review of supporting documentation for expenditures charged to the grant, we identified \$6,130 in questioned costs related to travel expenses. Specifically, we found a

²⁴ JSG charged a total of \$18,819 in "other salaries" and related fringe benefits as part of indirect costs charged to Grant No. 2008-IP-BX-K001. JSG officials stated that these "other salaries" included a bookkeeper and other part-time employees. Indirect costs are further discussed on page 21 of this report.

total of 11 transactions missing receipts for expenses over \$75, totaling \$4,840.²⁵ Therefore, we considered the \$4,840 to be unsupported questioned costs.

We also found that JSG employees and consultants were reimbursed with grant funds for \$1,065 in tips. According to the *OJP Financial Guide*, tips are unallowable grant expenditures. As such, these costs are specifically unallowable and are considered questioned.

Again, since JSG did not have formalized travel policies, they were required to comply with the federal travel policies, which state that reimbursements for Meals and Incidental Expenses (M&IE) are based on General Services Administration (GSA) allowances and rates. Pursuant to the federal per diem policies, we identified five transactions where JSG employees and consultants were reimbursed M&IE expenses above the applicable GSA rates. As a result, we questioned \$225, the total amount over established GSA M&IE rates, paid with grant funds as unallowable.

Equipment

During our review of JSG accounting records, we found that JSG purchased \$1,087 in computer equipment under Grant No. 2008-IP-BX-K001, although equipment was not included as an approved budget category. According to the *OJP Financial Guide*, a formal request from the grantee for a Grant Adjustment Notice (GAN) is required when a budget adjustment affects a cost category that was not included in the original budget. JSG did not submit a GAN requesting equipment be added as an approved budget category; therefore, we considered the \$1,087 in equipment purchased under the grant to be unallowable.

Consultants

Based on the accounting records and supporting documentation, we found that JSG paid \$226,818 in grant funds for consultant services.²⁶ Of this, we determined that \$202,000, or 89 percent of all payments, were questioned costs, as shown in Table 5. When grant funds are used to compensate consultants, the *OJP Financial Guide* states the time and effort reports are required to support the payments. In addition, the FAR requires that consultant payments are supported

²⁵ One of the 11 transactions included several charges under \$75. However, expenses claimed did not match the reimbursement check. Therefore, we were unable to determine which expenses were reimbursed due to lack of receipts. As a result we questioned the reimbursement amount of \$47 as unsupported.

²⁶ JSG used consultants to perform three different functions related to training and technical assistance provided to grantees under the Correctional Facilities on Tribal Lands Program: (1) "prime consultants" – monitored tribal progress and coordinated "specialist" contracts, (2) "specialists" – provided specialized technical assistance to tribes such as architectural review of blueprints or review of changes to master planning documents, and (3) "professional services consultants" – developed and presented training materials for various workshops to provide tribes with additional tools to accomplish goals of the individual grants.

with: (1) details of all agreements with individuals or organizations providing services and details of actual services performed; (2) invoices of billings submitted by the consultant with detail about time expended and nature of services provided; and (3) consultant work products and related documents, such as trip reports indicating persons visited and subjects discussed, meeting minutes, and collateral memorandum or reports.

We reviewed the documentation provided by JSG to support all 76 consultant payments tested, and we found 58 payments were missing documentation to adequately justify the payments to consultants. Fifty-two out of the 76 contract payments were to the "professional services consultants" and the "prime consultants." Each contract between JSG and the "professional services consultants" and "prime consultants" had a specific list of deliverables detailing services that must be satisfactorily completed in a timely manner in order to receive payment. We found that none of the 52 payments were made with sufficient support that the consultant had fulfilled the contract requirements. Additionally, none of these payments included time and efforts reports or invoices of billings. The remaining six payments were missing the documentation required by the *OJP Financial Guide* and the FAR.²⁷ As such, we considered all costs associated with these 58 payments as unsupported.²⁸ Although we were not provided sufficient documentation to satisfactorily support consultant payments, we were able to determine allowability based on the limited documentation provided. We determined that \$98,345 of the payments to consultants were also unallowable.²⁹ To ensure that costs were not double counted only the remaining unsupported consultant costs, \$103,655, were applied to our questioned costs calculation in Table 5, under unsupported "Payments without fulfilling FAR and *OJP Financial Guide* Requirements."

Of the \$98,345 in unallowable costs, we found \$9,686 in payments to consultants who did not fulfill contract requirements. We found that five "professional services consultants," who develop and deliver training materials, received compensation for deliverables listed in their contracts that were not completed. These five consultants were contracted and paid for the implementation of three workshops. According to the President of JSG, the number of grantees in the Correctional Facilities on Tribal Lands Program warranted two workshops rather than the planned three; therefore, only two of the three contracted workshops were delivered. On August 26, 2013, JSG officials explained that the third workshop never occurred and, as a result, consultants did not receive their final payment under their contracts. However, we were not provided current accounting records

²⁷ One consultant payment was missing the details of the agreement and time and efforts or an invoice of billings and five were missing details of work completed and time and efforts or invoices of billings.

²⁸ Total unsupported amount paid to consultants with funds from Grant No. 2008-IP-BX-K001 was \$202,000.

²⁹ Of the total unallowable amount, \$71,030 was because of non-compliance with budget requirements. These costs are explained in the Budget Management and Control section on page 27.

or updated contracts to verify that the payments were not made. As a result, the five consultants, contracted for three workshops, received a total of \$9,686 for services that were never performed. We considered these payments unallowable questioned costs.

In addition to consultant overpayments, we identified nine consultant payments to JSG employees totaling \$13,579 that were unallowable. As an employee, JSG staff members received a salary and fringe benefits to provide training and technical assistance to Correctional Facilities on Tribal Lands Program grantees. According to the *OJP Financial Guide*, a consultant is an individual who provides professional services or advice to clients for a fee. The FAR defines consultant services as persons that are not employees of the contracting company that provide services for a fee. We considered an employee receiving salary and fringe benefits that also receives compensation for additional consultant services to have received double payment, since the consultant payments received by JSG employees were for services covered by the employee's salary and fringe benefits. As a result, we considered \$13,579 in consultant payments to six JSG employees to be unallowable questioned costs.

We also identified two payments, totaling \$3,600 to consultants for services for which the consultants already received compensation. For 8 of the 13 JSG consultants paid with grant funds from Grant No. 2008-IP-BX-K001, contract services are detailed in each consultant's contract. For specific short term projects not included in consultant contracts, JSG used "specialists" and paid these consultants additional funds for the work performed. The two payments identified were for "specialist" services to research and update information on tribal grantees and attend a BJA training and briefing session. These activities were also included in the consultant's "prime" or "professional services" contract and covered by the quarterly contract payments. Therefore, these funds were not used for additional services and we considered the payments to be duplicate payments and questioned \$3,600 as unallowable.

Lastly, we identified one payment to a consultant for "specialist" services to review the grant application submitted by a tribe under the Recovery Act solicitation. Upon further review, we found that the consultant had been a peer reviewer for the BJA as part of the Recovery Act award process. As a peer reviewer, the consultant evaluated and rated a set of Recovery Act applications, and the BJA used the ratings when making its funding decisions. After the peer review process was complete and the Recovery Act awards had been made, JSG paid the consultant to provide an overview of BJA's peer review process as well as the consultant's recommendations for composing a successful application for the Correctional Facilities on Tribal Lands Training and Technical Assistance Program. These services appear to be outside the scope of the Correctional Facilities on Tribal Lands Training and Technical Assistance Program; therefore, we considered the payment for \$450 to this consultant for these services unallowable.

Indirect Costs

While reviewing supporting documentation for the lump sum monthly and quarterly payments from Grant No. 2008-IP-BX-K001 to JSG, we found that the grant had been charged \$82,312 in indirect costs. These costs included office overhead, office expenses, professional fees, and general and administrative expenses that were allocated to the grants based on a percentage determined by JSG. According to the *OJP Financial Guide*, indirect costs are costs of an organization that are not readily assignable to a project, and therefore the expenses identified in the monthly and quarterly payments are considered indirect costs.

Indirect costs were not approved in the budget for Grant No. 2008-IP-BX-K001. JSG did not submit a GAN to obtain approval for charging indirect costs to the grant. The *OJP Financial Guide* states that, in order to be reimbursed for indirect costs, a recipient must first establish an appropriate indirect cost rate through its cognizant federal agency. The *OJP Financial Guide* also requires the grantee to submit a GAN when a budget adjustment affects a cost category that was not included in the original budget. Therefore, in order to be reimbursed for indirect costs, JSG must first establish an indirect cost rate and have an approved budget category for indirect costs. As a result, the \$82,312 of indirect costs incurred under the grant were unallowable questioned costs, as shown in Table 5.

Other

During our review of supporting documentation for transactions incurred under Grant No. 2008-IP-BX-K001, we found \$33,119 in other questioned costs that did not apply to a specific budget category. Of these costs, we found \$25,442 in unsupported lump sum monthly and quarterly payments from the grant to the main JSG account. To support the lump sum monthly and quarterly charges identified in the accounting records, JSG officials provided us allocation spreadsheets for payroll, fringe benefits, and overhead for Grant No. 2008-IP-BX-K001. We reviewed the documentation and found that \$375,612 was reported in these spreadsheets for fringe, payroll, and overhead in 2008 and 2009.³⁰ However, total lump sum monthly and quarterly expenses listed in the accounting records were \$401,055. Since JSG charged the grant for more payroll, fringe benefits, and overhead than the spreadsheets supported, we considered the \$25,442 difference to be unsupported questioned costs.

Additionally, we found nine transactions for the purchases of supplies, shipping expenses, logo design, and food provided at JSG workshops that were missing receipts. The *OJP Financial Guide* requires grantees to maintain source documents to support transactions in the accounting records. Therefore, these

³⁰ We only compared the spreadsheets for 2008 and 2009 because, as previously stated, JSG had not updated the accounting records to include 2010 lump sum monthly and quarterly expenses.

transactions were not properly supported. Of the nine transactions, we identified one duplicate expenditure totaling \$361 for shipping expenses, which we discuss later and are questioning separately as unallowable costs under "Other-Duplicate Payments." To ensure that costs were not double counted, in our questioned costs analysis in Table 5, only the remaining unsupported costs, \$1,523, were applied to our questioned costs calculation under unsupported "Other-Missing Receipts."

We also found that JSG purchased \$129 in alcohol with grant funds, which was provided at a reception prior to the start of a week-long workshop that JSG officials presented to Correctional Facilities on Tribal Land Program grantees. The *OJP Financial Guide* specifically states that alcohol is unallowable and considers any event where alcohol beverages are served, available, or present to be a social event and costs associated with that event unallowable. We are questioning \$129 paid with grant funds for alcohol as unallowable.³¹ Although we are only questioning the alcohol purchased with grant funds, OJP should ensure that JSG implements policies and procedures to prevent alcohol from being available or present at any event financed with grant funds.

In addition, we found four payments for expenses that had already been charged to the grant. Specifically, two payments for dinner claims that had already been reimbursed to another traveler; one payment for fuel costs were previously paid; and one payment for shipping expenses that were previously paid. Therefore, we are questioning the duplicate payments totaling \$515 as unallowable. Finally, we found \$357 in grant expenditures that were outside the scope of the grant. JSG used grant funds for travel expenses that were not related to grant activities.³² These costs are unallowable and we questioned the \$357 in expenses.

Recovery Act Grant No. 2009-ST-B9-0101 Transaction Testing Results

We tested a total of 39 transactions in our review of expenditures under OJP Recovery Act Grant No. 2009-ST-B9-0101 totaling \$43,323. We found that lump sum payroll, fringe, and overhead transactions had not yet been charged to Grant No. 2009-ST-B9-0101 as of January 31, 2010. As shown in Table 6, we identified \$64,438 in questioned costs.

³¹ Due to the limited information provided by JSG, we were unable to determine any additional costs, such as room rental or food expenses that may have been associated with reception.

³² Expenses related to the Correctional Facilities on Tribal Lands Renovation Program were covered by Justice Planners International's Grant No. 2006-IP-BX-K001.

TABLE 6: ANALYSIS OF QUESTIONED COSTS FOR GRANT NO. 2009-ST-B9-0101

CATEGORY	NO. OF TRANS.	UNALLOWABLE COSTS	UNSUPPORTED COSTS	TOTAL QUESTIONED COSTS
Other		\$41,921	\$22,463	\$64,384
Expenses Prior to the GAN to Remove Special Condition No. 34	28	41,921	-	
Drawdowns in Excess of Expenditures			22,463	
Travel		\$ 54	-	\$ 54
Tips	3	54		
Total	31	\$41,975	\$22,463	\$64,438

Source: JSG and OIG

We determined that \$41,921 in expenditures was charged to the grant prior to the removal of Special Condition No. 34. According to Special Condition No. 34 from the award package, the award recipient cannot obligate, expend, or draw down any funds under this award until: (1) it has submitted to the program office a completed OJP "General Certification as to Requirements for Receipt of Funds for Infrastructure Investments," and (2) a GAN has been issued removing this special condition. JSG submitted the OJP General Infrastructure Investment Certification and the OCFO removed Special Condition No. 34 on January 12, 2010. We found that JSG had incurred expenditures totaling \$41,921 prior to January 12, 2010. Therefore, we considered the \$41,921 expended prior to removal of the special condition to be unallowable questioned costs.

We also determined that JSG had incurred grant expenditures prior to the OCFO budget clearance for which they were later reimbursed with grant funds. According to Special Condition No. 33 from the award package, the award recipient was not allowed to obligate, expend, or draw down funds until the OCFO approved the budget and budget narrative and a GAN was issued to remove this special condition. The OCFO budget approval and removal of Special Condition No. 33 occurred on December 11, 2009. According to financial records provided by JSG, the grantee began incurring grant expenditures in October 2009.³³

We verified with BJA officials that they did not authorize JSG to expend funds prior the OCFO budget clearance. We also requested documentation from JSG while on-site during the week of February 8, 2010, authorizing JSG to expend Recovery Act funding prior to the OCFO budget clearance. During our site visit on March 8, 2010, the President of JSG provided e-mail correspondence between JSG and the BJA that occurred on February 12, 2009, after the OCFO clearance on December 11, 2009. The e-mail referenced the *OJP Financial Guide* criteria for

³³ Based on accounting records provided by JSG, we determined that JSG had expended \$36,253 prior to the OCFO budget clearance.

expending funds, but did not provide approval to expend funds prior to the budget clearance from the OCFO. Additionally, according to the *OJP Financial Guide*, upon award acceptance, in order for a recipient to receive payment of funds, they must be in compliance with award conditions in the award document. Therefore, we considered the costs incurred prior to OCFO budget clearance and removal of the special condition to be unallowable. As it relates to our questioned costs analysis in Table 6, we questioned all of the expenses JSG incurred prior to the removal of Special Condition No. 34, which included the expenses incurred prior to the OCFO budget clearance, as unallowable under "Other-Expenses Prior to the GAN to Remove Special Condition No. 34."

After reviewing supporting documentation for costs incurred under Grant No. 2009-ST-B9-0101, we identified \$66 in unallowable costs associated with travel. Specifically, we found three payments included reimbursement for tips, and one payment was made to reimburse a consultant for a breakfast that was provided by JSG.³⁴ According to the federal travel policies, M&IE travelers must adjust their allowance for meals furnished by JSG by deducting the appropriate amount specific to the meal, breakfast, lunch, or dinner. According to the guidance published on GSA's website, travelers receiving a breakfast should reduce their MI&E allowance by \$7. As it relates to our questioned costs analysis in Table 6, we did not include the transactions that were also unallowable because they were incurred prior to the OCFO's budget clearance.³⁵ To ensure that costs were not double counted, only the remaining costs, \$54, were applied to our questioned costs calculation under "Travel."

We also found that 25 out of 27 consultant payments made with grant funds were not in compliance with the requirements of the *OJP Financial Guide* and the FAR. According to the *OJP Financial Guide*, time and effort reports are required for consultant compensation. Additionally the FAR requires that consultant payments be supported with: (1) details of all agreements; (2) invoices of billings submitted by consultants with detail about time expended and nature of services provided; and (3) work products and related documents specific to the work conducted by the consultant. Finally, each consultant had an agreement specifying the work to be completed in order to receive payment. From our review, we found that JSG made 25 payments to the consultants without meeting these requirements and, therefore, the payments were unsupported.³⁶ As it relates to our questioned costs analysis in Table 5, the 25 payments were also unallowable because the payments were made prior to the OCFO clearance and removal of Special Condition No. 34 on January 12, 2010. To ensure that costs were not double counted, all costs associated with consultant payments were included under "Other-Expenses Prior to the GAN to Remove Special Condition No. 34."

³⁴ The total amount of tips was \$59 and total unallowable M&IE costs were \$7.

³⁵ One payment included \$5 in tips and one payment for meals covered by JSG for \$7.

³⁶ A total of \$38,250 was paid to consultants with grant funds from Grant No. 2009-ST-B9-0101.

Summary of Transaction Testing

As a result of our analysis of grant expenditures, we found \$649,844 in questioned costs from Grant No. 2008-IP-BX-K001 and \$64,438 in questioned costs from Grant No. 2009-ST-B9-0101. This represents 91 percent of the drawdowns tested from Grant No. 2008-IP-BX-K001 and 81 percent of the drawdowns tested from Grant No. 2009-ST-B9-0101. Based on the areas of non-compliance identified with grant requirements, it appears that JSG's internal controls and financial management system were not adequate or acceptable for the management of grant funds.

We recommend that OJP remedy \$649,844 in questioned costs from Grant No. 2008-IP-BX-K001 and \$64,438 in questioned costs from Grant No. 2009-ST-B9-0101 and ensure that JSG establishes formalized internal control procedures and implements an accounting system that ensures expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.

Budget Management and Control

As stated previously, the *OJP Financial Guide* requires grantees to present and classify historical costs of the grant for budgetary and evaluation purposes. To comply with this requirement, the *OJP Financial Guide* states that the grantee must identify and account for funds applied to each budget category included within the approved award. To incur expenditures in a cost category not included in the original budget, the *OJP Financial Guide* requires a formal request by the grantee for a GAN to adjust the budget. Within approved budget categories the *OJP Financial Guide* allows movement of dollars between approved categories of up to 10 percent of the total award amount (the 10 percent rule) without a GAN, provided there is no change in project scope. We reviewed grant expenditures to determine if JSG was in compliance with the requirements established in the *OJP Financial Guide*. The results of our analysis are detailed below.

Costs Incurred in Unapproved Budget Categories

During our review of documentation to support grant accounting records, we identified grant expenditures for equipment and indirect costs that had not been approved in the budget, under Grant No. 2008-IP-BX-K001. We found that JSG purchased two computers totaling \$1,087 using grant funds and charged \$82,312 in indirect costs to Grant No. 2008-IP-BX-K001.³⁷ For indirect costs, there are

³⁷ During our review of indirect costs we found that JSG charged expenses for telephone services, supplies, and postage both as direct and indirect costs under Grant No. 2008-IP-BX-K001. We requested supporting documentation for the \$21,662 in indirect cost allocations related to telephone services, supplies, and postage expenses to ensure that all costs associated with direct budget categories were not duplicative as well as allowable, supported, and in compliance with all laws, regulations, guidelines, and award requirements. However, we were unable to verify the duplicability or allowability of these costs because JSG officials did not provide supporting documentation for these costs.

additional requirements from the *OJP Financial Guide* which state that award recipients may only charge indirect costs if they have an approved indirect cost rate as well as budgetary approval, neither of which JSG possessed for this grant. As such, all expenditures under Grant No. 2008-IP-BX-K001 for equipment and indirect costs are unallowable. In our judgment, JSG failed to enact sufficient controls to prevent unallowable costs from being charged to the grants. As shown in our questioned costs analysis in Table 5, costs associated with equipment and indirect costs are questioned under "Equipment" and "Indirect Costs."

Transactions Not Properly Classified

While reviewing transactions we found that 59 percent of the expenditures in the accounting records from Grant No. 2008-IP-BX-K001 and 36 percent from Grant No. 2009-ST-B9-0101 were not properly classified for budgetary evaluation purposes. The payments we identified were entered into the accounting records as one line item, but upon review of the support we found that the transaction included expenses from multiple budget categories. Specifically, for Grant No. 2008-IP-BX-K001 this included the following:

- 112 transactions from the lump sum payment of \$97,813 which was payment for salary, fringe benefits, and overhead as well as travel expenses, supplies and shipping costs, but categorized as expenses owed to JSG;
- 25 travel vouchers that combined consultant wages, travel expenses, or supplies;
- 17 lump sum monthly and quarterly payments for salary, fringe, and overhead; and
- 2 incorrect transaction descriptions.³⁸

For Grant No. 2009-ST-B9-0101 this included:

- 14 travel vouchers that combined consultant wages, travel expenses, or supplies.

JSG officials informed us that they were working on a system for the Recovery Act funds that would allow them to track expenditures by budget category and provided a copy of the Recovery Act expenditures sorted by budget category. From the budget category spreadsheets we identified expenses that were not included in the accounting records provided for Grant No. 2009-ST-B9-0101. Therefore, the budget categorization system appears to be in addition to the accounting records originally provided. In our judgment, trying to maintain

³⁸ Two of the 17 salary, fringe benefits, and overhead payments are also included in the lump sum payment with 112 transactions.

separate spreadsheets for the same expenditures increases the risks of inaccurate accounting.

Officials also stated that they were transitioning to a new accounting system to account for expenses. However, JSG’s practice of entering lump sum entries into the accounting system will not allow accurate tracking of expenditures by budget category regardless of the accounting system. Expenditures must be individually entered into the system by budget category in order to comply with the budget management requirements. Therefore, despite this transition, there is still a risk of JSG officials entering misclassified transactions or payments that include expenses from multiple budget categories.

Compliance with the 10 Percent Rule

Since JSG’s accounting system was unable to track grant expenditures by budget category, we were unable to conduct a budget analysis. In order to complete the necessary analysis, we reviewed supporting documentation provided by JSG officials for all Grant No. 2008-IP-BX-K001 expenditures listed in the accounting records and separated the expenses from the supporting documentation into the appropriate budget categories.³⁹ We then compared the approved budget to the recreated accounting records to identify any significant discrepancies between the approved budget categories and accounting records. As shown in Table 7, we determined that JSG exceeded the cumulative 10 percent allowance of the approved budget for Grant No. 2008-IP-BX-K001 by \$72,117.

TABLE 7: BUDGET MANAGEMENT AND CONTROL BY COST CATEGORY FOR GRANT NO. 2008-IP-BX-K001⁴⁰

COST CATEGORY	BUDGET FOR 2008 GRANT	ACTUAL COSTS	AMOUNT OVER BUDGET
Personnel	\$503,756	\$265,573	\$ -
Fringe Benefits	176,315	33,483	-
Travel	131,725	59,332	-
Equipment	-	1,087	1,087
Supplies	\$ 20,800	\$ 7,286	\$ -
Construction	-	-	-
Contractual	59,850	230,868	171,018
Other (Space/Utilities)	107,425	18,465	-
TOTAL DIRECT COSTS	\$999,871	\$616,093	

³⁹ Because JSG had drawdowns of \$79,103 for Grant No. 2009-ST-B9-0101, or 2 percent of the total award, at the time of our site work there was not enough data to compare expenditures to budget categories.

⁴⁰ The analysis only included expenses listed in the accounting records as of January 31, 2010. It did not reflect the additional \$31,899 obligated to the grant, but not updated in the financial records.

COST CATEGORY	BUDGET FOR 2008 GRANT	ACTUAL COSTS	AMOUNT OVER BUDGET
Indirect Costs	0	76,555 ⁴¹	-
TOTAL OF OVER-BUDGET CATEGORIES			\$172,105
ALLOWABLE 10 PERCENT OF TOTAL BUDGET			\$ 99,987
TOTAL UNALLOWABLE OVER-BUDGET			\$ 72,117

Source: OJP and JSG

From our analysis, we found that JSG exceeded the approved budget in contractual expenses by \$171,018. Also, because JSG charged equipment expenses to the grant without an approved budget category, they also exceeded the budget in this category by \$1,087. JSG was over-budget by a total of \$172,105 in two categories. The allowable movement of dollars without a GAN is \$99,987, or 10 percent of the total award. JSG did not submit a GAN to modify these budget categories. Therefore, JSG had \$72,117 in unallowable costs as a result of non-compliance with the 10 percent rule. As it relates to our questioned costs analysis in Table 5, to ensure that costs were not double counted the \$1,087 over budget in equipment was questioned as unallowable under "Equipment" and the \$71,030 over-budget in consultant payments was questioned as unallowable under "Over Allowable 10 Percent Budget Movement."

Summary of Budget Management and Control

Deficiencies identified with JSG's adherence to the 10 percent rule and budget modification requirements indicate that the control and management of approved budgets is insufficient. We recommend that OJP ensure JSG implements policies to ensure future compliance with budgetary requirements.

Accountable Property

As mentioned earlier in the Internal Control Environment section on page 4, an acceptable and adequate system must provide costs and property control to ensure optimal use of funds. We found that JSG did not maintain an inventory of the equipment purchased under Grant No. 2008-IP-BX-K001 and that the inventory records maintained for Grant No. 2009-ST-B9-0101 were incomplete and inaccurate. The *OJP Financial Guide* requires: (1) accurate maintenance of detailed property records; (2) physical inventory of property and the results reconciled with the property records at least once every 2 years; (3) a control system in place to ensure adequate safeguards to prevent loss, damage, or theft of the property; and (4) adequate maintenance procedures to keep the property in good condition.

⁴¹ Indirect cost information was captured to identify the sum of Total Project Costs. Indirect costs were not considered a budget category for the ten percent rule because no movement between direct and indirect can occur without OJP approval.

Although the equipment costs were unallowable under Grant No. 2008-IP-BX-K001, to ensure JSG was appropriately managing property purchased with grant funds, we requested a list of the equipment for Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101 on three separate occasions during our site work. We first requested this list in our initiation memorandum provided to JSG on January 25, 2010. We also verbally requested this list during our initial site visit in February 2010. We again requested the list in an e-mail sent April 7, 2010. On April 23, 2010, JSG provided an inventory list for Grant No. 2009-ST-B9-0101.⁴² Since we were not provided a list of property until after our site visits during the weeks of February 8, 2010, and March 8, 2010, we were unable to physically verify the property and equipment purchased. However, we were able to compare the inventory list to the invoices provided as supporting documentation for transaction testing. As shown in Appendix V, we identified discrepancies between the invoice price and the price documented on JSG's inventory list.⁴³ Based on our analysis, the inventory list maintained for Grant No. 2009-ST-B9-0101 was incomplete and inaccurate.

We inquired with JSG officials about the system in place to ensure property and equipment acquired with grant funds are used according to the terms and conditions of the grant. JSG stated that policies and procedures were under development, but they did not describe what the procedures entail. As a result of our analysis, we determined that JSG did not adequately control and manage accountable property and equipment as required by the *OJP Financial Guide*. We recommend that OJP ensure JSG develops formal policies and procedures to ensure that property records and inventory lists are maintained for each grant to accurately reflect the equipment and property purchased with federal funds and complies with all requirements detailed in the *OJP Financial Guide*.

Reports

According to the *OJP Financial Guide*, award recipients are required to submit both financial and program reports. These reports describe the status of the funds and the project, compare actual accomplishments to the objectives, and report other pertinent information. We reviewed the FSRs, the Annual Categorical Assistance Progress Reports, and the Recovery Act Reports submitted by JSG to determine whether each report was timely and accurate.

Financial Status Reports

The *OJP Financial Guide* requires grantees to report on the FSRs actual expenditures and obligations as incurred for the reporting period (calendar quarter) and cumulatively for the award. Because we expanded transaction testing to include all expenditures charged to Grant Nos. 2008-IP-BX-K001 and

⁴² JSG did not provide an inventory list for Grant No. 2008-IP-BX-K001.

⁴³ JSG provided an updated inventory list for Grant No. 2009-ST-B9-0101 in July 2013. Appendix V details our analysis based on the updated inventory list.

2009-ST-B9-0101, we reviewed all FSRs submitted through OJP's Grant Management System (GMS) for each grant.

FSRs Submitted for Grant No. 2008-IP-BX-K001

Although cumulatively the accounting records supported the total reported expenditures on the FSRs, we found three of the six FSRs submitted for Grant No. 2008-IP-BX-K001 did not accurately reflect grant funded expenditures as listed in the accounting records, as shown in Table 8.

TABLE 8: FSR ACCURACY FOR GRANT NO. 2008-IP-BX-K001

REPORT PERIOD FROM - TO DATES	EXPENDITURES PER FSR	EXPENDITURES PER ACCOUNTING RECORDS	DIFFERENCE	CUMULATIVE TOTAL EXPENDITURES PER FSR	CUMULATIVE TOTAL EXPENDITURES PER ACCOUNTING RECORDS	CUMULATIVE DIFFERENCE
07/01/08-09/30/08	\$ -	\$ 90	\$ (90)	\$ -	\$ 90	\$ (90)
10/01/08-12/31/08	79,814	78,214	1,599	79,814	78,304	1,510
01/01/09-03/31/09	170,443	170,443	-	250,256	248,747	1,510
04/01/09-06/30/09	216,835	216,835	-	467,092	465,582	1,510
07/01/09-09/30/09	127,725	127,725	-	594,817	593,307	1,510
10/01/09-12/31/09	\$117,530	\$119,039	\$(1,510)	\$712,347	\$712,347	\$ -

Source: OJP GMS and JSG

For reporting period July 1, 2008, through September 30, 2008, JSG under-reported \$90 in expenditures. JSG officials explained that JSG did not drawdown or expend any grant funds during this period, but had expended \$90 of its own funds in the period. The expenditures were reimbursed by the grant and reported in the subsequent quarter. Per the *OJP Financial Guide*, JSG should have reported \$90 in expenditures because grant funds had been obligated. Although the expenditures were initially paid with JSG funds, the funds were obligated to the grant, eventually reimbursed with grant funds, and entered into the grant accounting records as expenditures during this FSR reporting period. Therefore, in our judgment, \$90 in grant expenditures should have been reported for the period ending September 31, 2008.

For reporting period October 1, 2008, through December 31, 2008, JSG over-reported \$1,599 in expenditures, with a cumulative difference of \$1,510.⁴⁴ We inquired with JSG about the discrepancy and were informed that JSG had erroneously included an additional \$1,510 in outlays in this quarter. This error was internally identified and corrected in a subsequent FSR, reporting period October 1, 2009 through December 31, 2009. The actual expenditures reported during this period were decreased by \$1,510 to correct the prior overstatement. The difference between the FSR expenditures and accounting records was the same

⁴⁴ The difference is due to rounding.

amount as the adjustment. Therefore, the reduction in expenditures reported on the FSR corrected the cumulative difference between FSR expenditures and cumulative expenditures per the accounting records. Also, as previously determined the remaining over-reported amount of \$90 should have been reported in the previous FSR.

We also noted during our review of supporting documentation for the \$97,813 lump sum payment, that the 112 individual expenses that comprised the lump sum amount had been incurred up to 2.5 months prior to the date the payment was recorded in the accounting records. Therefore, JSG's accounting records did not accurately reflect the cash expenditures made under Grant No. 2008-IP-BX-K001, and JSG did not accurately report grant expenditures on the required financial reports. Overall, we identified weaknesses with JSG's reporting procedures. It appears JSG did not accurately report expenditures on FSRs when expenses were obligated to the grant. When an expense is initially paid with JSG's own funds but is reimbursed with grant funds, it is considered an obligation of funds to the grant. Grantees are required to report funds that have been obligated to the grant.

FSRs Submitted for Grant No. 2009-ST-B9-0101

Of the two FSRs submitted for Grant No. 2009-ST-B9-0101, we found one that did not accurately reflect grant funded expenditures listed in the accounting records. As shown in Table 9, JSG reported \$0 expenditures for FSR reporting period October 1, 2009, through December 31, 2009. However, the financial records showed JSG had incurred expenses totaling \$39,620 during the period of October 1, 2009, through December 31, 2009. We inquired with JSG about the discrepancy and were informed that JSG did not have access to grant funds until January 2010.⁴⁵ JSG officials further explained that no grant funds were expended in the period from October 1, 2009, through December 31, 2009. All expenditures in this period were JSG funds, which were subsequently reimbursed with grant funds, and were accounted for and reported on the FSR for the quarter in which grant funds were expended.

Although the \$39,620 was initially paid with JSG funds, the amount was obligated to the grant, reimbursed with grant funds, and entered into the grant accounting records as expenditures during this FSR reporting period. Therefore, JSG should have reported \$39,620 in expenditures for FSR reporting period October 1, 2009, through December 31, 2009. In our judgment, JSG did not accurately report expenditures on FSRs when expenses had been obligated to the grant. When an expense is incurred to achieve the goals and objectives of a grant that will ultimately be reimbursed with grant funds, the *OJP Financial Guide* considers the expense to be an obligation regardless of the original source of the funding.

⁴⁵ Grant funds were available for drawdown on January 12, 2010, after JSG submitted the required materials to remove Special Condition No. 34.

TABLE 9: FSR ACCURACY FOR GRANT NO. 2009-ST-B9-0101

REPORT PERIOD FROM - TO DATES	EXPENDITURES PER FSR	EXPENDITURES PER ACCOUNTING RECORDS	DIFFERENCE	CUMULATIVE TOTAL PER FSR	CUMULATIVE TOTAL PER ACCOUNTING RECORDS	CUMULATIVE DIFFERENCE
09/01/09-09/30/09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10/01/09-12/31/09	\$ -	\$39,620	\$(39,620)	\$ -	\$39,620	\$(39,620)

Source: OJP GMS and JSG

Recovery Act Reports Submitted for Grant No. 2009-ST-B9-0101

The Recovery Act places great emphasis on accountability and transparency in the use of taxpayer dollars. As such, successful applicants for awards under OJP Recovery Act programs must comply with the extensive reporting requirements. Quarterly financial and programmatic reporting is required and reports are due within 10 calendar days after the end of each calendar quarter. We found that JSG submitted the fourth quarter Calendar Year (CY) 2009 Recovery Act Report timely, but it did not accurately report the amount of Recovery Act funds that were expended or obligated, as required.

As shown in Table 10, JSG reported \$0 expenditures for the fourth quarter CY 2009 Recovery Act Report. However, the financial records showed JSG had incurred expenses totaling \$39,620 during the period of October 1, 2009, through December 31, 2009.

TABLE 10: RECOVERY ACT REPORT ACCURACY FOR GRANT NO. 2009-ST-B9-0101

REPORT PERIOD FROM - TO DATES	EXPENDITURES PER RECOVERY ACT REPORT	EXPENDITURES PER ACCOUNTING RECORDS	DIFFERENCE
10/01/09-12/31/09	\$ -	\$39,620	\$(39,620)

Source: Recovery.gov and JSG

We asked JSG officials why they did not report these expenditures and were told that funds under the Recovery Act award were not released until January 12, 2010, which is the date Special Condition No. 34 was removed and the grant funds were available for drawdown. JSG officials stated that their BJA grant manager had given explicit instructions to report \$0 in expenditures until such time as funds were released. JSG did not provide documentation of the instruction from the BJA. The BJA Associate Deputy Director for Policy informed the OIG that the BJA did not authorize JSG to begin spending grant funds without clearance. According to our research the Recovery Act grant funds were awarded to JSG on September 21, 2009, but not released by the OCFO to expend, obligate, or drawdown until January 12, 2010. Despite the restrictions regarding the obligation of funds, JSG incurred \$41,921 in expenses prior to the release of funds on January 12, 2010. Because the Recovery Act requires recipients to report the amount of funds obligated during each report period, JSG's response did not adequately address the

issue we identified. Therefore, the \$39,620 obligated to the Recovery Act grant during this period should have been reported. As a result, JSG did not accurately report expenditures on the fourth quarter CY 2009 Recovery Act Report.

Recipients of Recovery Act funds are also required to report the number of jobs on each quarterly report. We found that JSG reported zero jobs on the fourth quarter CY 2009 Recovery Act Report. We asked JSG officials if payroll expenses had been paid with Recovery Act funds during fourth quarter CY 2009. JSG officials informed us that all Recovery Act grant expenses during this period were paid for with JSG funds. Payroll expenses allocated to Recovery Act activities were subsequently reimbursed when Recovery Act funds were released. However, we were not provided any supporting documentation for these payroll expenses charged to Grant No. 2009-ST-B9-0101. Based on statements from JSG officials, it appears payroll expenses were allocated to the Recovery Act grant during this period, but JSG had not updated the accounting records to reflect the expenses. Because expenses related to payroll had been obligated to the Recovery Act grant during this period, JSG should have reported jobs on the fourth quarter CY 2009 Recovery Act Report.

Summary of FSRs and Recovery Act Reports

Based the deficiencies we identified with JSG's FSRs and Recovery Act Reports, it appears JSG's procedures for reporting expenditures were not adequate to report accurate information. We recommend OJP ensure that JSG develops formal written policies and procedures to ensure reports reflect actual expenditures and obligations as required by the *OJP Financial Guide* and Recovery Act reporting requirements.

Categorical Assistance Progress Reports

According to the *OJP Financial Guide*, Categorical Assistance Progress Reports are due semiannually on January 30 and July 30 for the life of the grant. We found that all progress reports were submitted timely.

We also attempted to evaluate the accuracy of the Progress Reports for the last two semi-annual reports by verifying the reported information with the provided materials maintained by JSG. In order to track progress, JSG officials maintained deliverable checklists, which monitored JSG's fulfillment of proposed grant deliverables, and assistance logs, which documented communications and the progress of each tribe's Correctional Facilities on Tribal Lands Program grant, meeting and workshop reports with agendas, and on-site technical assistance reports. During our review, we identified two areas of concern with the accuracy of the Progress Reports submitted by JSG.

Incomplete Support

Based on the solicitation for Grant No. 2008-IP-BX-K001, JSG was required to: (1) develop and deliver planning curricula for tribal representatives; (2) provide

logistical support for up to six OJP/BJA events that focus on planning correctional facilities on tribal lands; (3) develop and deliver not less than 10 training and briefing sessions on an ad hoc BJA-assigned basis; (4) develop and maintain a distance-learning technical assistance capacity to complement classroom training, as appropriate; (5) develop and disseminate written materials that support and complement the training sessions, including no fewer than two new publications developed in conjunction with the BJA that must be produced and disseminated during the grant period; and (6) support OJP's Tribal Justice and Safety web site by establishing and maintaining a section dedicated to assisting tribes effectively plan facilities associated with the incarceration and rehabilitation of juvenile and adult offenders subject to tribal jurisdiction. To verify the performance metrics reported by JSG, we reviewed tribal consultant logs, meeting agendas, and attendee lists. However, we were unable to verify the accuracy of JSG's Progress Reports because of JSG's incomplete tribal consultant logs and missing agendas or attendee lists. Specifically, we were not provided sufficient documentation to verify one training workshop, three planning events, two training and briefing sessions, and the establishment and maintenance of the planning section of the Tribal Justice and Safety web site.⁴⁶

Additionally, JSG was required to report the number of technical assistance events conducted within the reporting period on the Progress Reports. We attempted to verify the number of events reported by JSG, but were not able to identify what was considered a technical assistance event in the supporting documentation provided by JSG. We therefore recommend that OJP ensure that JSG develops policies and procedures to ensure that appropriate documentation is collected and maintained to support the performance measures listed in each Categorical Assistance Progress Report.

Compliance with Special Conditions

We reviewed the special conditions of each grant award and found that JSG either violated or has an increased risk of violating one special condition for Grant No. 2008-IP-BX-K001, and four special conditions for Grant No. 2009-ST-B9-0101.

Grant No. 2008-IP-BX-K001

The special condition violated for this grant was as follows:

- Special Condition No. 10: no portion of these federal grant funds shall be used towards any part of the annual cash compensation of any employee of the grantee whose total annual cash compensation exceeds 110 percent of the maximum salary payable to a member of the federal government's SES at an agency with a Certified SES Performance Appraisal System for that year.

⁴⁶ JSG was to provide three week-long training workshops to tribes under Grant No. 2008-IP-BX-K001. In September 2010, JSG was granted a no-cost extension by OJP to deliver the third training workshop to tribes. However, despite the extension, JSG officials told us that the third training workshop was never delivered.

As described in the Transaction Testing section of this report, we found that JSG's President's salary in 2009 exceeded 110 percent of the maximum salary payable by \$58,626. JSG therefore violated one of the key Special Conditions placed on this award.

Grant No. 2009-ST-B9-0101

The special conditions violated or that have an increased risk of violation for this grant are as follows:

- Special Condition No. 11: all contracts should be competitively bid.
- Special Condition No. 19: no portion of these federal grant funds shall be used towards any part of the annual cash compensation of any employee of the grantee whose total annual cash compensation exceeds 110 percent of the maximum salary payable to a member of the federal government's SES at an agency with a Certified SES Performance Appraisal System for that year.
- Special Condition No. 33: the recipient may not obligate, expend, or draw down funds until the OCFO has approved the budget and budget narrative, and a GAN has been issued to remove this special condition.
- Special Condition No. 34: the recipient did not submit the OJP General Infrastructure Investment Certification. As a result, the recipient may not obligate, expend, or draw down any funds under this award until: (1) the recipient has submitted to the program office a completed OJP "General Certification as to Requirements for Receipt of Funds for Infrastructure Investments," and (2) a GAN has been issued removing this special condition.

As detailed in the Transaction Testing section of this report, we found that JSG violated Special Condition Nos. 33 and 34 and incurred grant expenditures prior to the OCFO clearances. Also, as explained in the Recovery Act Reporting section of this report, JSG officials informed us that payroll expenditures for 2009 were initially paid with JSG funds and subsequently reimbursed when Recovery Act funds were released for drawdown, meaning funds from Grant No. 2009-ST-B9-0101 were used for 2009 payroll expenditures. Although we were not provided support for the salaries charged to Grant No. 2009-ST-B9-0101 in 2009, Recovery Act funds could have potentially been used to compensate the President in 2009 since the President of JSG conducted Recovery Act related work during 2009. Because we found that the President of JSG's salary exceeded 110 percent of the maximum salary payable to a member of the federal government's SES at an agency with a Certified SES Performance Appraisal System for 2009, it appears JSG did not comply with Special Condition No. 19. However, due to the lack of documentation, we could not determine the dollar value.

Lastly, we reviewed the contracts JSG maintains with “prime consultants” and “professional service consultants” under Grant No. 2008-IP-BX-K001 and found that they did not include services or deliverables for JSG's 2009 Recovery Act grant. We were informed by JSG officials that they were in the process of writing new consultant contracts and even transitioning many consultants to employees. During an interview, we asked for a list of the names, positions, titles, and hiring start and end dates for all grant funded employees. As of March 22, 2010, we were not provided with the new consultant contracts or employee agreements. We were also not provided documentation of the policies and procedures that JSG will use in order to ensure that consultant contracts backed by Recovery Act funding would be competitively bid. As such, there seems to be an increased risk that contracts under Grant No. 2009-IP-BX-0101 will not be competitively bid.

As a result of JSG’s non-compliance with grant special conditions, we recommend that OJP remedy costs associated with the award Special Conditions and ensure JSG implements policies that prevent future non-compliance. We also recommend, as it relates to Special Condition No. 11 under Grant No. 2009-ST-B9-0101, that OJP ensure JSG adequately complies with the requirement that all consultant contracts are competitively bid.

Program Performance and Accomplishments

According to the solicitation for the Planning Correctional Facilities on Tribal Lands Training and Technical Assistance Program, the purpose of JSG’s Grant No. 2008-IP-BX-K001 was to assist tribes in developing strategies to cost effectively plan facilities associated with the incarceration and rehabilitation of juvenile and adult offenders subject to tribal jurisdiction.

According to JSG officials, progress toward achieving the goals and objectives of their awards was continuously assessed. As stated previously, to track progress, JSG officials maintained deliverable checklists, which were intended to be used to monitor JSG’s fulfillment of proposed grant deliverables, and assistance logs, which document communications and the progress of each tribe’s Correctional Facilities on Tribal Lands Program grant. JSG staff also participated in “War Room Reviews” each week where they discussed current and future projects. During these meetings JSG officials stated that they identified the needs of each project, delegated assignments, and assigned responsibilities to increase the productivity and efficiency of their work.

According to JSG officials, to comply with the deliverables of the solicitation for Grant No. 2008-IP-BX-K001, they: (1) developed curriculum and provided two week-long workshops to tribes which provided an approach to planning new detention and correctional institutions; (2) presented training materials at OJP/BJA sponsored workshops; (3) conducted meetings with relevant federal agencies to assess the planning efforts; (4) provided technical assistance to tribes either through on-site visits or remotely through phone calls and e-mails; and (5) developed two publications to support and complement the training sessions.

As explained previously, we were not provided sufficient documentation to verify one training workshop, three planning events, and two training and briefing sessions. Additionally, we were unable to verify the technical assistance JSG provided to tribes due to its incomplete tribal consultant logs and insufficient documentation related to the establishment and maintenance of the planning section of the Tribal Justice and Safety web site. Due to this lack of supporting documentation, we were unable to fully determine JSG's contribution toward assisting tribes in planning correctional facilities.

Monitoring of Consultants

Grant monitoring is an essential tool to ensure that grant programs are implemented, objectives are achieved, and grant funds are properly expended. To this end, OJP requires that sub awards be monitored throughout the life of the grant to ensure that: (1) the subrecipient complies with the programmatic, administrative, and fiscal requirements of the relevant statutes, regulations, policies, and guidelines; (2) programs initiated by the subrecipient are carried out in a manner consistent with the relevant statutes, regulations, policies, and guidelines of the program; (3) the subrecipient is provided guidance on policies and procedures, grant program requirements, general federal regulations, and basic programmatic, administrative, and financial reporting requirements; and (4) any problems that may impede the effective implementation of grant programs are identified and resolved.

From interviews with JSG officials and reviewing accounting records, we found that funds from Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101 were used to pay for consultant services. When grant funds are used to compensate consultants, the *OJP Financial Guide* requires:

- direct recipients should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements;
- the primary recipient is responsible for monitoring the subrecipient and ascertaining that all fiscal and programmatic responsibilities are fulfilled;
- the recipient is responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipient administered federal awards in compliance with federal requirements; and
- time and effort reports are completed for consultants.

Additionally, since commercial companies are required to follow the FAR, consultant payments must be supported with: (1) details of all agreements with individuals or organizations providing services and details of actual services performed; (2) invoices of billings submitted by the consultant with detail about time expended and nature of services provided; and (3) consultant work products

and related documents, such as trip reports indicating persons visited and subjects discussed, meeting minutes, and collateral memorandum or reports.

During our transaction testing, we determined that there were three types of JSG consultants paid with grant funds from Grant No. 2008-IP-BX-K001: (1) "prime consultants," (2) "professional services consultants," and (3) "specialists." "Prime consultants" were assigned tribes to provide continuous support to the tribe's Correctional Facilities on Tribal Lands Program project manager. The "prime consultants" were contracted to ensure that the appropriate technical assistance was provided in a timely manner to assigned tribes and to provide tribes with information and assistance to help them through the planning process. The scope of the services provided under "professional services contracts" was specific to the consultant. Each had a detailed list of deliverables for which they received payment related to the development or presentation of curricula or facility planning materials. JSG hired "specialist" consultants for specific projects for short periods of time.

According to the President of JSG, consultant monitoring occurred as a result of the constant contact between the President and Senior Associate of JSG, and JSG officials were always monitoring each consultant to ensure the consultant was providing adequate training and technical assistance. The President and Senior Associate of JSG also stated that they review the assistance logs, which document communications and the progress of each tribe's Correctional Facilities on Tribal Lands Program grant. These logs were to be completed quarterly by each "prime consultant" to verify services provided. Based on our analysis, this review only applied to "prime consultants," since tribal logs were only completed by consultants assigned to assist specific tribes. Therefore, the only monitoring conducted for "professional services consultants" and "specialists" was the non-documented constant contact between JSG and consultants.

In light of the Recovery Act funding, JSG officials stated they were in the process of developing formal policies and procedures requiring each consultant to perform monthly reports documenting the progress in completing deliverables, and the time allocated to each grant. However, JSG officials indicated that they did not have these requirements for consultants paid under Grant No. 2008-IP-BX-K001.

Since we were not provided documentation related to the monitoring of consultants we were unable to verify that JSG performed any monitoring of consultants. However, while conducting our transaction testing and reviewing the consultant agreements, we found that consultants were not in compliance with grant requirements or contract requirements, indicating that JSG's monitoring of consultants was not adequate.

As detailed in the Transaction Testing section of this report, we found 90 percent of the consultant payments from Grant No. 2008-IP-BX-K001 and 98 percent of the consultant payments from Grant No. 2009-ST-B9-0101 did not meet the requirements of the contracts, *OJP Financial Guide*, or the FAR. Specifically, support to ensure contract requirements were fulfilled and time and

efforts or invoices of billings were not provided for consultants paid under Grant No. 2008-IP-BX-K001 or consultants paid under Grant No. 2009-ST-B9-0101. As a result, the payments to these consultants were made without fulfilling the requirements of their contracts, *OJP Financial Guide*, or the FAR.

It is JSG's responsibility to ensure consultants adequately comply with all contract and grant requirements. Therefore, in our judgment, it appears that JSG's monitoring of consultants did not adequately ensure JSG was compliant with the fiscal and programmatic responsibilities of the grant. We recommend OJP ensure that JSG improves policies governing its monitoring of consultants to ensure financial and programmatic responsibilities are fulfilled and consultant payments are made after all requirements of the contract, *OJP Financial Guide*, and the FAR have been satisfied.

Recommendations

We recommend that OJP:

1. Ensure that JSG implements policies and procedures related to cash management to ensure federal cash on hand is kept to the minimum needed and that drawdown funds are spent within the 10 day requirement.
2. Ensure that JSG establishes formalized internal control procedures and implements an accounting system that ensures expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.
3. Remedy \$649,844 in questioned costs from Grant No. 2008-IP-BX-K001, and \$64,438 in questioned costs from Grant No. 2009-ST-B9-0101.
4. Ensure that JSG implements policies to ensure future compliance with budgetary requirements.
5. Ensure that JSG develops formal policies and procedures to ensure that property records and inventory lists are maintained for each grant to accurately reflect the equipment and property purchased with federal funds and complies with all requirements detailed in the *OJP Financial Guide*.
6. Ensure that JSG develops formal written policies and procedures to ensure reports reflect actual expenditures and obligations as required by the *OJP Financial Guide* and Recovery Act reporting requirements.
7. Ensure that JSG develops policies and procedures to ensure that appropriate documentation is collected and maintained to support the performance measures listed in each Categorical Assistance Progress Report.
8. Remedy costs associated with the award Special Conditions non-compliance and ensure JSG implements policies that prevent future non-compliance.

9. Ensure that, as it relates to Special Condition No. 11 under Grant No. 2009-ST-B9-0101, JSG adequately complies with the requirement that all consultant contracts are competitively bid.
10. Ensure that JSG improves policies governing its monitoring of consultants to ensure financial and programmatic responsibilities are fulfilled and consultant payments are made after all requirements of the contract, *OJP Financial Guide*, and the FAR have been satisfied.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit concentrated on, but was not limited to, the grants awarded to JSG from February 1, 2008, through September 1, 2009, with significant drawdowns as of February 1, 2010.⁴⁷ Therefore, this audit focused on the Correctional Facilities on Tribal Lands Program Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101 awarded to JSG.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Programs Financial Guide and the award documents.

In conducting our audit, we performed sample testing in four areas, which were drawdowns, grant expenditures, reports, and property management. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category. As a result of the risks encountered during field work, we expanded testing to include 100 percent of the transactions in the financial records, all drawdowns, all accountable property, and all submitted FSR and Recovery Act Reports.

⁴⁷ During this audit, we identified certain issues requiring further investigation. We made a referral to the OIG's Investigations Division, and put our audit on hold pending resolution of the referral. Subsequently, we were able to complete our audit and issue this report.

In addition, we reviewed the timeliness and accuracy of FSRs and Progress Reports, evaluated performance to grant objectives, and evaluated the grantee's monitoring of the consultant, but we did not test the reliability of the financial management system as a whole.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS Grant No. 2008-IP-BX-K001</u> ⁵⁴	<u>AMOUNT</u>	<u>PAGE</u>
Total Net Unallowable Expenditures	\$403,868	13
Personnel	219,833	14
Bonuses	17,153	17
Owner's Distribution Payments	202,680	15
Travel	1,290	18
Tips	1,065	18
Above Allowable Travel Per Diem	225	18
Equipment	1,087	18
Contractual	98,345	19
Over allowable 10% budget movement	71,030	27
Payments made without fulfilling Contracts		
Requirements	9,686	19
Payments to consultants that are employees	13,579	20
Consultants paid for services included in contract	3,600	20
Other Unallowable Consultant Payment	450	20
Indirect Cost	82,312	21
Other	1, 001	22
Alcohol for Workshops	129	22
Duplicate Payments	515	22
Costs Outside the Scope of Grant	357	22
Total Net Unsupported Expenditures	245,976	13
Personnel	105,363	15
Direct Salary & Fringe	105,363	
Travel	4,840	18
Missing Receipts	4,840	18
Contractual	103,655	19
Payments without fulfilling FAR and OJP Financial		
Guide Requirements	103,655	19
Other	32,118	22

⁵⁴ **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.

Excess funds from Monthly and Quarterly transfer payments from the Grant to JSG	25,442	22
Drawdowns in Excess of Expenditures	5,153	8
Other Missing Receipts	1,523	22

Total Net Questioned Costs 2008-IP-BX-K001	\$649,844	15
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<u>QUESTIONED COSTS Grant No. 2009-ST-B9-0101</u>	<u>AMOUNT</u>	<u>PAGE</u>
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Total Unallowable Expenditures	\$41,975	23
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Expenses Prior to the GAN to Remove Special Condition Number 34	41,921	23
Tips	54	24

Total Net Unsupported Expenditures	22,463	9, 23
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Drawdowns in Excess of Expenditures	22,463	9
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Total Net Questioned Costs 2009-ST-B9-0101	\$64,438	23
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APPENDIX III

QUESTIONED COSTS FOR GRANT NO. 2008-IP-BX-K001 FROM TRANSACTION TESTING

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
5	Phoenix, AZ	\$2,838.82	10/27/2028	\$1,847.00	\$25.00	Unsupported Costs: Missing \$25 supplies receipt Unallowable Costs: Tips (\$11, \$3, \$13, \$20); \$450 per day consultant rate paid to an employee already receiving salary
6	September, 2008	15,000.00	10/28/2008	11,250.75	15,000.00	Unsupported Costs: Allocation method used did not properly support expense in accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$2,731.50), President of JSG's distribution checks and fringe (\$7,249.25, \$1,270) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 22)
7	Phoenix, AZ	2,477.77	10/28/2008	-	75.66	Unsupported Costs: Missing \$41.66 and \$34 receipts for supplies.
8	Phoenix, AZ	2,291.56	10/28/2008	-	900.00	Unsupported Costs: Consultant fees did not meet FAR requirements (1) No invoice/billing submitted by consultant with detail about time expended and nature of services provided; (2) work product provided did not support payment received for 09/30/08 and 10/03/08.
9	Phoenix, AZ	2,170.03	10/28/2008	1,801.25	-	Unallowable Costs: Tips (\$1.25); \$450 per day consultant rate for employee already receiving salary.
10	Washington, DC	1,359.94	11/20/2008	65.92	-	Unallowable Costs: Tips (\$18, \$24, \$3, \$3); Over per diem for three people for two travel days to DC in FY 2009 (\$288 = per diem, \$305.92 (excluding tips paid) reimbursed).
13	October, 2008	15,000.00	12/01/2008	11,250.75	15,000.00	Unsupported Costs: Allocation method used did not properly support expense in accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$2,731.50), President of JSG's distribution checks and fringe (\$7,249.25, \$1,270) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						this month (JSG Trans. No. 22)
14	Palm Springs, CA	662.34	12/15/2008	5.00	-	Unallowable Costs: Tips (\$2,\$3)
15	Palm Springs, CA	255.72	12/15/2008	30.00	174.87	Unsupported Costs: Missing car rental receipt (\$174.87) Unallowable Costs: Tips (\$20, \$10)
17	November & December 2009	30,000.00	12/30/2008	22,501.50	30,000.00	Unsupported Costs: Allocation method used did not properly support expense in accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,463), President of JSG's distribution checks and fringe (\$14,498.5, \$2,540) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 22)
18	Acomita, NM	3,487.50	12/30/2008	-	1,687.5	Unsupported Costs: Consultant fees did not meet FAR requirements (1) No invoice/billing submitted by consultant with detail about time expended and nature of services provided; (2) work product provided did not support payment received for 3.75 days.
19	Palm Springs, CA	1,473.51	12/30/2008	114.40	-	Unallowable Costs: Tips (\$12, 20, \$1, \$7, \$48.4, \$13, \$13)
20	Palm Springs, CA	748.68	12/30/2008	14.00	-	Unallowable Costs: Tips (\$1, \$5, \$8)
21	Palm Springs, CA- Addl. Expenses	1,509.65	01/08/2009	435.39	-	Unallowable Costs: Above allowable per diem for four people by \$20.87 (total meals \$846.84 (which excludes 130.40 in tips which have already been questioned)- - allowable per diem \$826--4*(\$59*2+.75*2*\$59)). Also, JSG Trans. Nos. 19-21 indicate multiple people paid for meals for all travelers on the same day, missing most meal receipts to determine who actually paid for what. We asked JSG and were told that \$26.26 should not have been charged by the Senior Associate for lunch on December 8, 2008. Instead the \$31.26 listed for dinner on December 8, 2008 was the actual lunch amount. Based on JSG's explanation, two people claimed they paid for lunch on December 8, 2008 for \$31.26. We questioned one lunch payment for \$31.26 and the \$26.26 that should not have been charged. Also, \$357 airfare inappropriately charged to

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						grant.
22	Quarterly Payment 09/01/08-12/31/09	32,211.00	01/15/2009	-	32,211.00	Unsupported Costs: Allocation method used did not properly support expense in accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Addressed in individual months that comprise this quarter (JSG Trans. Nos. 6, 13, 17)
23	Quarterly Payment 11/30/08-01/31/09	16,160.00	01/15/2009	675.00	15,660.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$16,160 - \$500 for supplies = \$15,660 unsupported. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at \$450 per day, which was questioned evenly in the 4 contract payments seen in the accounting records (6 days overpaid * 450/4 contract payments)
24	Quarterly Payment 11/30/08-01/31/09	9,140.00	01/15/2009	540.00	8,640.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$9,140 - \$500 for supplies = \$8,640 unsupported. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at \$450 per day, which was questioned evenly in the 5 contract payments seen in the accounting records(6 days overpaid * 450/5 contract payments)
25	Quarterly Payment 11/30/08-01/31/09	4,820.00	01/15/2009	270.00	4,320.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						expended and nature of services provided. NOTE: \$4,820 - \$500 for supplies = \$4,320 unsupported. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 3 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (3 days overpaid *450/5 contract payments)
26	Quarterly Payment 11/30/08-01/31/09	4,100.00	01/15/2009	137.20	3,600.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$4,100 - \$500 for supplies = \$3,600 unsupported. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 2 days at 343 per day, which is questioned evenly in the 5 contract payments seen in accounting records (2 days overpaid *343/5 contract payments)
27	Quarterly Payment 11/30/08-01/31/09	3,290.00	01/15/2009	450.00	2,790.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$3,290 - \$500 for supplies = \$2,790 unsupported. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant overpaid a total of 5 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (5 days overpaid *450/5 contract payments)
28	Quarterly Payment 11/30/08-01/31/09	2,230.00	01/15/2009	-	1,980.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						consultant with detail about time expended and nature of services provided. Note: 2,230-250 for supplies = 1,980 unsupported
30	Prime 1/4 Payment 02/01/09-04/30/09	1,600.00	02/12/2009	-	1,350.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$1,600 - \$250 for supplies = \$1,350 unsupported.
31	Prime 1/4 Payment 02/01/09-04/30/09	2,700.00	02/16/2009	-	2,700.00	
32	Prime 1/4 Payment 02/01/09-04/30/09	2,700.00	02/16/2009	-	2,700.00	
33	Prime 1/4 Payment 02/01/09-04/30/09	2,025.00	02/16/2009	-	2,025.00	
50	2nd 1/4 Payment 02/01/09-04/30/09	1,980.00	03/30/2009	-	1,980.00	
81	3rd 1/4 Prime Payment 05/01/09- 07/31/09	3,375.00	06/18/2009	-	3,375.00	
83	3rd 1/4 Payment 05/01/09-07/31/09	3,150.00	06/18/2009	-	3,150.00	
85	3rd 1/4 Prime Payment 05/01/09- 07/31/09	2,700.00	06/18/2009	-	2,700.00	
87	3rd 1/4 Prime Payment 05/01/09- 07/31/09	2,025.00	06/18/2009	-	2,025.00	
88	3rd 1/4 Payment 05/01/09-07/31/09	1,485.00	06/18/2009	-	1,485.00	
89	3rd 1/4 Prime Payment 05/01/09- 07/31/09	1,350.00	06/18/2009	-	1,350.00	
90	3rd 1/4 Prime Payment 05/01/09- 07/31/09	1,350.00	06/18/2009	-	1,350.00	
119	4th Quarter Prime Payment 08/01/09- 10/31/09	3,375.00	09/30/2009	-	3,375.00	
122	4th Quarter Prime Payment 08/01/09- 10/31/09	2,700.00	09/30/2009	-	2,700.00	
124	4th Quarter Prime Payment 08/01/09- 10/31/09	2,025.00	09/30/2009	-	2,025.00	
125	4th Quarter Payment 08/01/09 to 10/31/09	1,485.00	09/30/2009	-	1,485.00	
126	4th Quarter Prime Payment 08/01/09- 10/31/09	1,350.00	09/30/2009	-	1,350.00	
127	4th Quarter Prime Payment 08/01/09- 10/31/09	1,350.00	09/30/2009	-	1,350.00	

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
156	4th Quarter Prime Payment 11/01/09 to 01/31/10	1,350.00	12/18/2009	-	1,350.00	
157	4th Quarter Prime Payment 11/01/09 to 01/31/10	1,350.00	12/18/2009	-	1,350.00	
34	January, 2009	15,000.00	02/19/2009	18,595.17	15,000.00	Unsupported Costs: Allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 54)
36	February, 2009	15,000.00	03/02/2009	18,595.17	15,000.00	
37	Fort Peck, MT	2,462.46	03/09/2009	27.50	380.51	Unsupported Costs: Missing receipts for lodging \$170.04, auto rental \$135.47, parking \$75 Unallowable Costs: Over allowable per diem by \$27.5 (total meals \$150 - per diem \$122.5 -- 2*49*.75+49)
39	Prime 1/4 Payment 02/01/09-04/30/09	1,600.00	03/12/2009	-	1,350.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$1,600 - \$250 for supplies = \$1,350 unsupported.
40	Prime 1/4 Payment 02/01/09-04/30/09	875.00	03/12/2009	-	625.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$875 - \$250 for supplies = \$625 unsupported.
44	2nd 1/4 Payment 02/01/09-04/30/09	15,660.00	03/30/2009	675.00	15,660.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked (3 PACIFIC workshops instead of 2 PACIFIC workshops) - overpaid a total of 6 days @ 450

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						per day, which was questioned evenly in the 4 contract payments seen in the accounting records (6 days overpaid *450/4 contract payments)
45	March, 2009	15,000.00	03/30/2009	18,595.17	15,000.00	Unsupported Costs: Allocation method used did not properly support GL expense (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 54)
46	2nd 1/4 Payment 02/01/09-04/30/09	8,640.00	03/30/2009	540.00	8,640.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant overpaid a total of 6 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (6 days overpaid *450/5 contract payments)
47	2nd 1/4 Payment 02/01/09-04/30/09	4,320.00	03/30/2009	270.00	4,320.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 3 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (3 days overpaid *450/5 contract payments)
48	2nd 1/4 Payment 02/01/09-04/30/09	3,600.00	03/30/2009	137.20	3,600.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 2 days at 343 per day, which was questioned evenly in the 5 contract payments seen in the accounting records (2 days overpaid *343/5 contract payments)
49	2nd 1/4 Payment 02/01/09-04/30/09	2,790.00	03/30/2009	450.00	2,790.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 5 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (5 days overpaid *450/5 contract payments)
54	Quarterly-Jan-March 2009	32,211.00	04/09/2009	-	32,211.00	Unsupported Costs: Allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Addressed in individual months that comprise this quarter (JSG Trans. Nos. 34,36, 45)
55	2nd 1/4 Payment 02/01/09-04/30/09	3,200.00	04/09/2009	-	3,150.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. NOTE: \$3,200 - \$50 in supplies = \$3,150 unsupported.
57	BJA W/S-SD- Cancelled	134.50	04/16/2009	27.75	-	Unallowable Costs: Over per diem for travel day in Denver, CO by \$27.75 (total meals 10+15+39.50= 64.50 minus per diem of \$36.75= 27.75)
58	April, 2009	15,000.00	05/04/2009	18,595.17	15,000.00	Unsupported Costs: Allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 78)
60	Hannahville Potawatomi, Wilson, WI	1,448.95	05/07/2009	10.45	75.25	Unsupported Costs: Missing receipts for lodging \$75.25 Unallowable Costs: Tips (\$3,\$7.45)
61	PACIFIC Workshop- April, 2009	483.02	05/11/2009	30.00	-	Unallowable Costs: Tips (\$30)
63	May, 2009	15,000.00	06/03/2009	18,595.17	15,000.00	Unsupported Costs: Allocation method used did not properly support GL expense (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 78)
64	April Workshop, Phoenix, AZ	1,106.88	06/03/2009	62.72	-	Unallowable Costs: Tips (\$15.74, \$39.98, \$7)
65	May Workshop, Phoenix, AZ	1,085.62	06/03/2009	27.50	-	Unallowable Costs: Tips (\$2, \$10, \$7.50, \$8)
68	May Workshop, Phoenix, AZ	343.24	06/04/2009	-	261.64	Unsupported Costs: Missing receipt for \$221.79 auto rental, missing supplies receipts for \$23.96 and \$15.89.
73	May Workshop, Phoenix, AZ	705.62	06/09/2009	-	307.70	Unsupported Costs: Missing airline receipts \$307.70.
74	April Workshop, Phoenix, AZ	1,283.90	06/11/2009	45.00	-	Unallowable Costs: Tips(\$13, \$32)
75	May Workshop, Phoenix, AZ	1,141.93	06/11/2009	101.00	-	Unallowable Costs: Tips (\$13,\$13,\$10,\$25,\$40)
76	Personal mileage, May Workshop	126.25	06/11/2009	75.75	-	Unallowable Costs: According to JSG a tribal car was used to attend the training. Two tribal members were reimbursed for mileage for the trip. We found that the tribe was reimbursed \$75.75 more than it should have, since one car was shared.
78	PACIFIC owed JSG for 2nd 1/4 expenses	97,813.37	06/18/2009	-	-	Unsupported Costs: Transaction had unsupported items listed below Unallowable Costs: Transaction had unallowable items listed below.
78	June's monthly payment	15,000.00	06/18/2009	18,595.17	15,000.00	Unsupported Costs: Allocation method used did not properly support the expense in the

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments	
						accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17) Note: the unallowable costs calculation includes questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 78)	
78	2nd quarter payment	32,211.00	06/18/2009	-	32,211.00	Unsupported Costs: Allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Addressed in individual months that comprise this quarter (JSG Trans. Nos. 58,63, 78)	
78	Costco Warehouse	226.42	06/18/2009	-	226.42	Unsupported Costs: Missing receipt for Costco (\$226.42)	
78	April PACIFIC lunch April 29 - Jason's Deli	317.69	06/18/2009	20.00	-	Unallowable Costs: Tip (\$20)	
78	April PACIFIC lunch April 28 - Jason's Deli	509.40	06/18/2009	20.00	-		
78	May PACIFIC Jason's Deli Lunch May 19	393.33	06/18/2009	20.00	-		
78	April PACIFIC Jason's Deli lunch May 1	387.19	06/18/2009	20.00	-		
78	May PACIFIC Famous Dave's Lunch May 21	500.75	06/18/2009	20.00	-		
78	May PACIFIC Jason's Deli Lunch May 22	328.47	06/18/2009	20.00	-		
78	May PACIFIC Jason's Deli Lunch May 20	542.94	06/18/2009	20.00	-		
78	April PACIFIC lunch April 27 - Macayo's Ahwatukee	375.11	06/18/2009	53.46	-		Unallowable Costs: Tip (\$53.46)
78	May PACIFIC - K Mart	101.63	06/18/2009	-	101.63		Unsupported Costs: Missing K Mart receipt (\$101.63)
78	May PACIFIC bus tour May 21 3:30-7:00	420.00	06/18/2009	70.00	-	Unallowable Costs: Tip (\$70)	
78	PACIFIC FedEx Kinkos	152.47	06/18/2009	-	152.47	Unsupported Costs: Transaction only included the packaging info; there was no receipt that details actual amount of expense. The transaction amount was written in pencil (152.47)	
78	May PACIFIC Staples	737.11	06/18/2009	-	737.11	Unsupported Costs: Transaction only included the packaging info; there was no receipt that details actual amount of expense. The transaction amount was written in pencil (737.11)	

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
78	May PACIFIC Costco	299.59	06/18/2009	97.83	-	Unallowable Costs: Alcohol for workshops (\$97.83)
78	May PACIFIC Bashas'	57.05	06/18/2009	30.96	-	Unallowable Costs: Alcohol for workshops (\$30.96)
78	April PACIFIC Famous Dave lunch April 30	565.86	06/18/2009	30.00	-	Unallowable Costs: Tip (\$30)
78	May PACIFIC Macayo's Ahwatukee Lunch May 18	384.58	06/18/2009	54.81	-	Unallowable Costs: Tip (\$54.81)
78	Fox Valley Technical College - logo design	165.00	06/18/2009	-	165.00	Unsupported Cost: Missing work product
78	Dell Computers	1,087.09	06/18/2009	1,087.00	-	Unallowable Cost: Computers/equipment not an approved budget category (\$1087)
79	3rd 1/4 Payment 05/01/09-07/31/09	11,745.00	06/18/2009	675.00	11,745.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at 450 per day, which is questioned evenly in the 4 contract payments seen in the accounting records(6 days overpaid *450/4 contract payments)
80	3rd 1/4 Payment 05/01/09-07/31/09	6,480.00	06/18/2009	540.00	6,480.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (6 days overpaid *450/5 contract payments)

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
82	3rd 1/4 Payment 05/01/09-07/31/09	3,240.00	06/18/2009	270.00	3,240.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 3 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (3 days overpaid *450/5 contract payments)
84	3rd 1/4 Payment 05/01/09-07/31/09	2,700.00	06/18/2009	137.20	2,700.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 2 days at 343 per day, which was questioned evenly in the 5 contract payments seen in the accounting records (2 days overpaid *343/5 contract payments)
86	3rd 1/4 Payment 05/01/09-07/31/09	2,092.50	06/18/2009	450.00	2,092.50	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 5 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (5 days overpaid *450/5 contract payments)

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
93	May Workshop, Phoenix, AZ	136.00	06/18/2009	20.00	-	Unallowable Costs: Dinner on May 17 paid by the President (See JSG Trans. No. 75 for 1,141.93, dinner for \$59.11 includes this consultant's meal). We were not provided receipts to determine why the consultant claimed dinner on May 17.
99	Fed Ex Mailings	361.31	07/08/2009	361.31	361.31	Unsupported Costs: Transaction only included the packaging info; there was no receipt that details actual amount of expense. The amount was written in pencil Unallowable Costs: Expenses have already been charged to the grant in JSG Trans. No. 78
100	Trip to Wash. DC, Meals, Mileage, Pkg, etc	1,419.15	07/16/2009	49.33	771.32	Unsupported Costs: missing hotel receipts for \$771.32. Unallowable Costs: Tip (\$12, \$37.33)
102	May Workshop, Phoenix	173.04	07/27/2009	13.00	-	Unallowable Costs: Tip (\$7, \$6)
103	April Workshop, Phoenix	134.15	07/27/2009	9.50	-	Unallowable Costs: Tip (\$4.5, \$5)
107	Fort Peck, MT	1,291.50	08/10/2009	-	225.00	Unsupported Costs: Consultant fees did not meet FAR requirements (1) No invoice/billing submitted by consultant with detail about time expended and nature of services provided; (2) work product provided did not support payment received for ½ day.
110	Washington DC	587.23	08/24/2009	19.25	-	Unallowable Costs: Tips (\$5, \$3.25, \$11).
111	July & August 2009	30,000.00	08/27/2009	40,621.34	30,000.00	Unsupported Costs: Allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$10,938.16), President of JSG's distribution checks & fringe (\$23,605.84, \$2,646.34); Paid \$3,431 in unallowable and unsupported bonuses to direct employees. Note: the unallowable costs calculation included questioned costs from the JSG quarterly payment that includes this month (JSG Trans. No. 116)
113	TJSW session, Tulsa, OK	2,545.00	09/17/2009	130.64	785.32	Unsupported Cost: Consultant fees did not meet FAR requirements (1) No invoice/billing submitted by consultant with detail about time expended and nature of services provided; (2) work product provided did not support payment received for 1.5 days. Misc. expenditures missing receipts for \$110.32; Unallowable Costs: Above Per

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						diem. total allowed = 110 (.75*2*44+44) total charged = 240.64
114	Albuquerque, NM-- Workshop on TJSP	1,230.24	09/17/2009	30.00	180.10	Unsupported Costs: No Receipts for 2 Public Transportation claims \$90.05 each; Unallowable Costs: Tips (\$30)
116	September & 4th Quarter Expenses	47,211.00	09/29/2009	18,595.17	47,211.00	Unsupported Costs: Allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17)
117	4th Quarter Payment 08/01/09 to 10/31/09	11,745.00	09/30/2009	675.00	11,745.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at 450 per day, which was questioned evenly in the 4 contract payments seen in the accounting records(6 days overpaid *450/4 contract payments)
118	4th Quarter Payment 08/01/09 to 10/31/09	6,480.00	09/30/2009	540.00	6,480.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (6 days overpaid *450/5 contract payments)

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
120	4th Quarter Payment 08/01/09 to 10/31/09	3,240.00	09/30/2009	270.00	3,240.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 3 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (3 days overpaid *450/5 contract payments)
121	4th Quarter Payment 08/01/09 to 10/31/09	2,700.00	09/30/2009	137.20	2,700.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 2 days at 343/day, which was questioned evenly in the 5 contract payments seen in the accounting records (2 days overpaid *343/5 contract payments)
123	4th Quarter Payment 08/01/09 to 10/31/09	2,092.50	09/30/2009	450.00	2,092.50	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 5 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (5 days overpaid *450/5 contract payments)
128	October Expenses	15,000.00	11/04/2009	18,595.17	15,000.00	Unsupported Costs: Allocation method used did not properly support accounting records expense (timesheets missing, financial information about overhead, office

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks and fringe (\$11,802.92, \$1,323.17)
133	Nov. monthly & expenses	18,845.40	12/03/2009	18,645.17	17,200.00	This voucher included JSG's monthly salary, fringe benefits, and overhead as well as additional expenses related to travel. Unsupported Costs: No support for \$2,200 paid to tribes for travel. Also, the allocation method used did not properly support the expense in the accounting records (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Tips (\$33, \$7, \$2, \$3, \$5) Also, Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks & fringe (\$11,802.92, \$1,323.17)
134	Advisory Comm. Washington DC	1,960.35	12/03/2009	1,808.00	-	Unallowable Costs: \$450 fee per day unallowable, this consultant's contract stated that they will participate in up to 2 briefing sessions. The consultant participated in one other session on July 14, 2009 so this would be the consultant's second briefing session covered under the contract; Tip (\$8)
143	Reimb. for cash paid to Fort Peck Emp. and for 3 breakfasts	371.00	12/07/2009	-	371.00	Unsupported Costs: No support for \$371 paid to Ft. Peck. We could not determine what expense for or allowability.
144	Fort Peck, Billings, MT	1,800.00	12/08/2009	1,800.00	1,800.00	Unsupported Costs: Consultant fees did not meet FAR requirements (1) No invoice/billing submitted by consultant with detail about time expended and nature of services provided, (2) missing work products specific to the consultant; what the consultant specifically contributed. Unallowable Costs: Consultant became an employee on December 1, 2009, therefore this consultant was not allowed to receive consultant payments
145	Fort Peck, Billings, MT	46.80	12/08/2009	1.00	46.80	Unsupported Costs: The voucher included all expenses for the trip; cannot determine what \$46.80 was paid for; Unallowable Costs: Tips (\$1)
148	4th Quarter Payment 11/01/09 to 01/31/10	6,480.00	12/18/2009	4,860.00	6,480.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						provided. Unallowable Costs: Consultant became an employee on December 1, 2009, therefore this consultant was not allowed to receive consultant payments for December or January (6,480/3*2) ; Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 6 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (6 days overpaid *450/5 contract payments)
149	4th Quarter Prime Payment 11/01/09 to 01/31/10	3,375.00	12/18/2009	562.50	3,375.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Consultant became an employee on January 15, 2010, therefore this consultant was not allowed to receive consultant payments for half of January work
150	4th Quarter Payment 11/01/09 to 01/31/10	3,240.00	12/18/2009	270.00	3,240.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 3 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (3 days overpaid *450/5 contract payments)
151	4th Quarter Payment 11/01/09 to 01/31/10	2,700.00	12/18/2009	1,037.20	2,700.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops.

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						This consultant was overpaid a total of 2 days at 343 per day, which was questioned evenly in the 5 contract payments seen in the accounting records (2 days overpaid *343/5 contract payments); Also, this consultant became an employee on January 1, 2010 therefore the payment for January work was unallowable. (2700/3)
152	4th Quarter Prime Payment 11/01/09 to 01/31/10	2,700.00	12/18/2009	1,800.00	2,700.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Consultant became an employee on December 1, 2009, therefore this consultant was not allowed to receive consultant payments for December and January.
153	4th Quarter Payment 11/01/09 to 01/31/10	2,092.50	12/18/2009	798.75	2,092.50	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Includes payment for days not worked since JSG conducted 2 PACIFIC workshops instead of the contracted 3 PACIFIC workshops. This consultant was overpaid a total of 5 days at 450 per day, which was questioned evenly in the 5 contract payments seen in accounting records (5 days overpaid *450/5 contract payments) Also, this consultant became an employee on January 15, 2010 therefore the payment for half of January work was unallowable. (2092.50/3/2)
154	4th Quarter Prime Payment 11/01/09 to 01/31/10	2,025.00	12/18/2009	-	2,025.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided.

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
155	4th Quarter Payment 11/01/09 to 01/31/10	1,485.00	12/18/2009	247.50	1,485.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Consultant became an employee on January 15, 2010 therefore the payment for half of January work was unallowable. (1485/3/2)
161	December, 2009 Expenses	47,211.00	12/28/2009	32,318.17	47,211.00	Unsupported Costs: Allocation method used did not properly support accounting records expense (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,469.08), President of JSG's distribution checks and fringe (\$11,802.92, \$1,323.17); Paid \$13,723 in bonuses to direct employees
164	Update Tribal Grantees-4 Days	1,800.00	01/06/2010	1,800.00	1,800.00	Unsupported Costs: Based on the support provided, the consultant did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: These activities were covered by the consultant contract which was valid through January 31, 2010
165	Review Grant Sisseton Wahpeton Oyate 1 day	450.00	01/06/2010	450.00	-	Unsupported Costs: Services not related to Grant No. 2008-IP-BX-K001
	January 2010 Payroll, Fringe, and Overhead (Obligated Funds Not Included in Accounting Records)	31,899.00		16,848.00	31,899.00	Unsupported Costs: Allocation method used did not properly support expense (timesheets missing, financial information about overhead, office expenses) Unallowable Costs: Indirect Costs not an approved category (\$5,758), President of JSG's distribution checks and fringe (\$9,519, \$1,571)
			Total	\$332,839	\$641,678	

Source: JSG, OIG

APPENDIX IV

**QUESTIONED COSTS FOR GRANT NO. 2009-ST-B9-0101
FROM TRANSACTION TESTING**

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
2009 Expenses						
5	Englewood Planning Meeting	2,326.00	11/06/2009	2,326.00	2,250.00	Unsupported Cost: As part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. The same work product was provided to support multiple consultant payments. Therefore we cannot determine what the consultant specifically contributed to receive payment. Unallowable Costs: Tips (\$2, \$3); Expenses charged to grant prior to OCFO clearance (SC Nos. 33 and 34)
3	Englewood Planning Meeting	\$1,654.10	11/06/2009	\$1,654.10	\$1,350.00	
4	Englewood Planning Meeting	2,335.00	11/06/2009	2,335.00	2,250.00	Unsupported Costs: As part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. The same work product was provided to support multiple consultant payments. Therefore we cannot determine what the consultant specifically contributed to receive payment. Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC Nos. 33 and 34)
7	Englewood Planning Meeting	3,023.55	11/06/2009	3,023.55	2,700.00	
8	Englewood Planning Meeting	1,800.00	11/06/2009	1,800.00	1,800.00	
9	Englewood Planning Meeting	2,368.50	11/06/2009	2,368.50	2,250.00	
10	Englewood Planning Meeting	2,458.60	11/06/2009	2,458.60	2,250.00	
11	Englewood Planning Meeting	1,840.97	11/06/2009	1,840.97	1,800.00	
14	Englewood Planning Meeting	1,825.20	11/06/2009	1,825.20	1,800.00	
15	Englewood Planning Meeting	2,851.00	11/06/2009	2,851.00	1,800.00	
16	Work @ Office & 20 Correction Books	2,300.39	11/06/2009	2,300.39	2,250.00	
18	Englewood Planning Meeting	1,363.20	11/16/2009	1,363.20	1,350.00	
19	Englewood Planning Meeting	1,556.00	11/16/2009	1,556.00	1,350.00	Unsupported Costs: As part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. The same work product was provided to support multiple consultant payments. Therefore we cannot determine what the consultant specifically contributed to receive payment. Unallowable Costs: Breakfast was provided Wed am at meeting (\$7) Expenses charged to grant prior to OCFO clearance (SC Nos. 33 and 34)

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
20	Budget Planning Meeting (Description should read Budget Planning Guide)	450.00	11/16/2009	450.00	-	Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC Nos. 33 and 34)
21	Budget Planning Meeting (Description should read Budget Planning Guide)	450.00	11/16/2009	450.00	-	
24	Develop Outline Guide	900.00	11/23/2009	900.00	900.00	Unsupported Costs: Based on the support provided, we could not verify the consultant met all the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. The same work product was provided to support multiple consultant payments. Therefore we cannot determine what the consultant specifically contributed to receive payment. Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC Nos. 33 and 34)
23	Review Sanctions of TCAP & other grantees	450.00	11/23/2009	450.00	450.00	Unsupported Costs: Based on the support provided, we could not verify the consultant met all the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC Nos. 33 and 34)
25	Table of Contents	900.00	11/23/2009	\$900.00	900.00	
32	Table of Contents - 2 days	900.00	12/03/2009	900.00	900.00	
33	Table of Contents - 5 days	2,250.00	12/04/2009	2,250.00	2,250.00	
34	Table of Contents - 3 days	1,350.00	12/04/2009	1,350.00	1,350.00	
35	Table of Contents & Guides - 2 days	900.00	12/09/2009	900.00	900.00	
36	AARA Grant Guidebook - 1 day	450.00	12/11/2009	450.00	450.00	
37	Guide Book Table of Contents - 1 day	450.00	12/17/2009	450.00	450.00	
38	AARA Grant Guidebook - 1 day	450.00	12/21/2009	450.00	450.00	Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC No. 34)
2010 Expenses						
1	Trip to Closter Office, Matrix & research	3,418.71	01/11/2010	3,418.71	2,250.00	Unsupported Costs: Based on the support provided, we could not verify the consultant met all the contract requirements to receive payment. Also, as part of

JSG Trans. No.	Transaction Description	Dollar Value	Entry Date	Unallowable Costs	Unsupported Costs	Comments
						the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC No. 34)
2	2 days - telecommunication s conferencing	900.00	01/11/2010	900.00	900.00	Unsupported Costs: Based on the support provided, we could not verify the consultant met all the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice/billing submitted by consultant with detail about time expended and nature of services provided. Unallowable Costs: Expenses charged to grant prior to OCFO clearance (SC No. 34)
3	BJA-BIA Meeting, Washington, DC, January 4-7	130.80	01/12/2010	6.00	-	Unallowable Costs: Tips (\$6)
4	Trip to Washington, DC, January 4-7	1,240.66	01/12/2010	47.50	-	Unallowable Costs: Tips (\$24, \$2.50, \$9, \$12)
Total 2009 & 2010 Expenses				\$41,974.72	\$37,350.00	

Source: JSG, OIG

APPENDIX V

**ANALYSIS OF JSG'S INVENTORY LIST
FOR GRANT NO. 2009-ST-B9-0101**

JSG's INVENTORY LIST				INVOICES		
ITEM No.	DESCRIPTION	VENDOR	PRICE	INVOICE DATE	INVOICE PRICE	NOTES ON INVOICE
F01a	(1) 30x60 Desk w return	Milton Terry Assoc	\$486			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F01b	(1) 30x60 Desk w return	Milton Terry Assoc	492			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F01c	(1) 30x60 Desk w return	Milton Terry Assoc	492			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
Fo1d	(1) 30x60 Desk w return	Milton Terry Assoc	486			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F04	36x72 Racetrack Table	Milton Terry Assoc	454			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F05a	Black Keyboard Tray	Milton Terry Assoc	71			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F05b	Black Keyboard Tray	Milton Terry Assoc	71			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F05c	Black Keyboard Tray	Milton Terry Assoc	71			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F05d	Black Keyboard Tray	Milton Terry Assoc	71			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F05e	Black Keyboard Tray	Milton Terry Assoc	71			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F05f	Black Keyboard Tray	Milton Terry Assoc	71			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F20a	Bookcase	Milton Terry Assoc	194			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F20b	Bookcase	Milton Terry Assoc	194			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F20c	Bookcase	Milton Terry Assoc	194			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F20d	Bookcase	Milton Terry Assoc	194			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F20e	Bookcase	Milton Terry Assoc	194			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases

JSG's INVENTORY LIST				INVOICES		
ITEM No.	DESCRIPTION	VENDOR	PRICE	INVOICE DATE	INVOICE PRICE	NOTES ON INVOICE
F20f	Bookcase	Milton Terry Assoc	194			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F21	Library table + 4 chairs	Milton Terry Assoc	1,123			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F25a	2 Tier Lateral File	Milton Terry Assoc	347			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F25b	2 Tier Lateral File	Milton Terry Assoc	347			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F25c	2 Tier Lateral File	Milton Terry Assoc	347			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F25d	2 Tier Lateral File	Milton Terry Assoc	347			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F07	Reception Desk	Milton Terry Assoc	882			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F08	Reception Desk	Milton Terry Assoc	882			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases
F09	Front Desk	Milton Terry Assoc	\$454			On invoice - different price. No methodology for allocating installation costs to grant purchases and non-grant purchases

Source: JSG

JSG'S RESPONSE TO THE DRAFT REPORT⁵⁵



April 17, 2013

David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln, Suite 1500
Denver, CO 80203
Email: David.M.Sheeren@usdoj.gov
Telephone: (303) 335-4001

Re: Response to Draft Audit Report – OJP- BJA Correctional Facilities on Tribal Lands Training and Technical Assistance Program Grants Awarded to Justice Solutions Group

Note: For ease of reference, this Response may refer to grants by their No. or as follows:

Grant No. 2008-IP-BX-K001 – PACIFIC 08
Grant No. 2009-IP-BX-K001 – PACIFIC 09
Grant No. 2009-ST-B9-0101 – Recovery
Grant No. 2009-S4-BX-K146 – Tribal Jail

Dear Mr. Sheeren:

Introduction

Justice Solutions Group (JSG or the Company) has reviewed the Draft Audit Report by the U.S. Department of Justice, Office of the Inspector General, Audit Division, Denver Regional Audit Office issued on February 10, 2014 covering fieldwork completed in May 2010. During the 4-year period from the completion of the audit field work to date, all deliverables under Grants No. 2008-IP-BX-K001 and 2009-IP-BX-K001 were satisfactorily completed *on time and under budget*; this allowed JSG to continue to provide BJA and tribal grantees with training and technical assistance (TTA) services for a period of 12 and 26 months, respectively, beyond the original grant terms under “no-cost” grant extensions. JSG successfully closed out Grant No. 2008-IP-BX-K001 on June 06, 2011, and on March 19, 2014 we successfully closed Grant No. 2009-IP-BX-K001. (BJA’s official closeout of these grants is being held in abeyance pending the completion of this audit.) During the same 4-year period, JSG also provided required services and produced required deliverables under Grants No. 2009-ST-B9-0101 and 2009-S4-BX-K146. JSG continues to provide these services beyond the original grant terms of each of these grants under “no-cost” grant extensions requested by the Company and approved by BJA.

We now stand in the fifth year of the OIG’s audit. JSG has produced over 6,000 pages of documentation and over 40,000 emails in response to audit inquiries. Forty-five of the tribal grantees with which we worked through the grant programs were issued an OIG survey by email regarding JSG’s delivery of

⁵⁵ Attachments to JSG’s response were not included in this final report.



services under the grants.¹ There is no mention of this survey in the Draft Audit. JSG has also for the past 2½ years complied with enhanced reporting requirements in connection with grant draw-downs and submitted regular (quarterly/semiannual) status reports related to grant compliance pursuant to the terms of an Administrative Agreement executed December 2011 with the Office of Justice Programs Audit and Review Division.

JSG did not have the benefit of the Audit Report Findings and Recommendations until May 2013, when they were first released in a Draft Audit Report. Nor did JSG have the benefit of an Exit Conference for the presentation and discussion of Findings and Recommendations until June 24, 2013. Nonetheless, JSG voluntarily undertook corrective measures to bring the Company into full compliance with grant requirements. As a result, JSG has been completely compliant with all federal grant and FAR requirements for over three years. This effectively satisfies eight of the ten Recommendations contained in the Draft Audit Report. We do not concur with Recommendation's #3 and 8, as discussed in greater detail below.

The Draft Audit Report focuses primarily on two grants – Grants No. 2008-IP-BX-K001 (PACIFIC 08) and 2009-ST-B9-0101 (Recovery) – with draw-downs at the time of the audit totaling \$796,603.² As such, we question the prominent and repeated references in the Draft Report to the completion of an audit of four grants totaling \$6,856,394, and no mention in the Draft Report narrative of the \$796,603 in question.³ Further, the Draft Report calls on OJP to remedy \$714,282 of the \$796,603 in total costs as unallowable and unsupported expenditures⁴, despite the delivery by JSG of expansive documentation supporting costs and clear evidence of an abundance of high quality services and work product satisfactorily delivered to and accepted by BJA and tribal grantees. (See **Attachment B – PACIFIC 08**

¹Based in part on this event, JSG raised questions about the scope and nature of the audit, which were addressed to the Denver Regional Audit Office during the field work period. See **Attachment A – JSG Email**.

² At the time of the audit there was virtually no activity under Grant No. 2009-IP-BX-K001 (PACIFIC 09, which now has been satisfactorily completed and closed out), and Grant No. 2009-S4-BX-K146 (Tribal Jail), pursuant to which JSG is currently planning and facilitating a second national Tribal Jail Administrators Forum scheduled to be delivered in Dallas, Texas on April 27-29, 2014, in conjunction with the 33rd Annual American Jail Association Forum.

³ The first page of the Executive Summary and Introduction also repeats totally gratuitous references to grant supplements that were awarded subsequent to the audit period and that are not part of the audit. (See notes 2 in the Executive Summary and Introduction.) Also featured prominently, and repeated on page 2 of the Executive Summary and the Introduction, is the 2009 "compensation" of the President of the Company. This information, which was added to the February 2014 Draft Report, is misleading (as the Company is a sole proprietorship with non-grant work) and characterizes the compensation in a manner that we believe misinterprets OMB regulations. See **Attachment C – OJP Financial Guide**.

⁴Preparing a Response to this Draft Report was extremely challenging due to the use by the OIG Audit Team of numbers and statistics that were very difficult and often impossible to validate, and the inconsistent and confusing presentation of information. For example, Appendix III and IV of the Draft Report identify a total of \$1,053,842 in questioned costs comprised of \$679,028 in unsupported costs and \$374,814 in unallowable costs. However, the body of the Report identifies \$714,282 in questioned costs (page 4) comprised of \$268,439 in unsupported costs and \$445,843 in unallowable costs (derived by adding total unallowable and unsupported costs listed in Tables 5 and 6 on pages 14 and 23, respectively, of the Draft Report). This also raises a question as to how the total unallowable costs identified in the body of the Report (\$445,843) can exceed the total unallowable costs in Appendix III and IV (\$374,814). This differential is explained by an unallowable cost of \$71,030 for "Over Allowable 10 Percent Budget Movement" found on row 14 of Table 5 (page 14).



Deliverables.) To accept the findings of the current Draft Report would mean that JSG is compensated a total of \$82,321 for all services and work products delivered over the 2-year audit period, which included all costs related to the development and delivery of two weeklong PACIFIC Workshops to tribal grantees from around the country. Denying JSG fair compensation for services that were contracted, satisfactorily performed, and accepted with approval by the government and its tribal grantees is neither equitable nor reasonable.

This audit is not about a company that utilized grant money inappropriately; rather, it arises from accounting and grant management weaknesses in a rapidly growing, woman-owned company in its early years. JSG has corrected all of these weaknesses and can now boast procedures that represent the "gold standard" in grant compliance. This is supported by the Company's A-133 audits for 2011 and 2012, which provide evidence that the Company has in place systems that meet or exceed all federal grant requirements.

JSG respectfully submits this response to the draft findings and recommendations. In summary, we respectfully submit that through this entire process JSG has been responsive to all data and documentation requests and has operated with complete transparency, while continuing to deliver the same high quality, cost-effective work and results as it always has. We further respectfully submit that all government funds received were tracked and utilized for their intended purpose. In sum, we respectfully request that our cooperation, evidence of delivered services, and rapid improvement in accounting procedures serve as the remedies for the questioned costs identified in the Draft Audit Report.

Background

In August 2007, through a competitive bid process, JSG submitted a proposal to BJA to provide training and technical assistance (TTA) services to tribes receiving facility and justice system planning grants. In September 2008, JSG was awarded Grant No. 2008-IP-BX-K001 by BJA in the amount of \$999,871.00 and was tasked with providing TTA services to all Fiscal Year 2007 and 2008 tribal planning grant recipients. This TTA project was known as the *Planning Alternatives & Correctional Facilities For Indian Country (PACIFIC 08) Project*.

Within 3 months of the PACIFIC 08 grant award, BJA reformulated the TTA program for tribes receiving planning grants (then being delivered under the PACIFIC 08 Project) and combined it with the TTA program for tribes receiving construction and renovation grants (previously delivered under a grant program known as NAATAP). Many tribes were receiving multiple grants under these different planning, construction and renovation grant programs. Based on the belief that these TTA programs were overlapping and needed to be integrated through a single TTA provider to avoid duplication and confusion, JSG again submitted a competitive proposal and was awarded the combined TTA grant in the amount of \$999,794, which came to be known as the PACIFIC 09 project. In late 2009, through a competitive bid process, JSG was awarded a BJA grant in the amount of \$4,487,335 to provide TTA for tribes receiving construction and renovation grants under the American Recovery and Reinvestment Act (Recovery Grant), which included many of the tribes that had done justice system and facility planning and design through earlier grant awards supported by the PACIFIC and NAATAP TTA projects. In 2009 JSG also submitted an application for and was awarded a grant to facilitate the delivery of two Tribal Jail Administrators' Forums. We believe that these awards reflected an appreciation by BJA of JSG's expertise, commitment, hard work, and earned reputation for excellence.

In late 2009, in the wake of the award of the Recovery, PACIFIC 09 and Tribal Jail grants, JSG was notified by the Denver Regional Audit Office of the commencement of an audit of these grants as well as the PACIFIC 08 grant. In February 2010, a 4-member Field Audit Team from Denver, Colorado spent a week at JSG's offices in New Jersey to perform a routine audit. JSG's staff worked with the team to produce all required documentation, most of which was requested by email during the team's weeklong visit. Much of the requested documentation was available, but not readily accessible. Approximately two weeks after the team left, the Denver Audit Team requested by email documentation to support every item on JSG's general ledgers. JSG staff made every effort to cooperate and provide the information that was requested. The Denver Audit Team made a second weeklong trip to JSG's New Jersey offices in March 2010 to continue its audit. The Audit Team never communicated its observations to JSG; nor was an exit conference held at that time. A Draft Audit Report was issued in May 2013. At the request of JSG, an exit conference was held on June 24, 2013.⁵ We understand now that the team referred the audit to the DOJ's Office of the Inspector General (OIG). According to the Draft Report, the audit was put on hold "pending resolution of the referral" to the OIG's Investigation Division. (See note 6 in the Executive Summary, which is repeated in note 4 of the Introduction.) We have not been told to date the outcome of the OIG Investigation.

Grant Performance

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

- All promised products and services under PACIFIC 08 were delivered with acknowledged success and satisfaction of government oversights and tribal grantees. (See **Attachment B – Pacific 08 Deliverables**.)
- The PACIFIC 08 grant award required JSG to provide TTA services to a minimum of 20 tribal grantees for 18 months. JSG successfully completed all grant deliverables and, through no-cost grant extensions, provided TTA services for over 30 months—approximately 12 months of additional service at no additional cost. The PACIFIC 08 project grant was closed out in June 2011.
- All promised products and services under the Recovery Grant are being delivered with acknowledged success and satisfaction of government oversights and tribal grantees.
- The original term of the Recovery Grant was 24 months ending on August 31, 2011; due to efficiencies and the success of the program, JSG has been able to continue to provide TTA services to BJA and tribal grantees through "no-cost" grant extensions that currently have been approved through December 31, 2014.

⁵ Because the Draft Audit Report contained approximately 70 new or revised items of questioned costs, and because the exit conference, which should have taken place at the end of the audit field work in 2010 (as per the audit initiation letter dated 01/25/10), did not take place until requested by the JSG following the issuance of the first Draft Audit Report in May 2013, the Company requested an opportunity to submit responsive documentation. Note 4 on page ii of the Executive Summary, which is repeated in note 5 on page 4 of the Introduction, appears to misrepresent the context of this response by failing to make clear that the Company was providing documentation that responded largely to new items of questioned cost that were not on the Transaction Spreadsheet presented during the audit field-work period and new information derived from the exit conference that took place in June 2013.



- Due to efficiencies, JSG was also able to expand the scope of TTA services under the Recovery Grant through a “no-cost” grant amendment to include Post-Occupancy Evaluations (POEs) of new ARRA-funded tribal facilities. These studies will serve as valuable resources and learning tools for tribes engaged in future facility development projects.
- Under Grant No. 2009-S4-BX-K146, JSG successfully planned and facilitated a national forum for tribal jail administrators from throughout Indian Country, which was presented in Phoenix, Arizona on November 15-16, 2010. JSG currently is working with BJA and BIA to plan and deliver a second Tribal Jail Administrators Forum, which is scheduled for April 27-29, 2014 in Dallas, Texas in conjunction with the American Jail Association’s 33rd Annual Jail Expo.

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

Further, although JSG’s records may have had technical shortcomings, the Company at all times employed sufficient human resources to provide the personal services necessary to support the funds drawn down under its grants. In addition, all contractors that were retained by JSG under the grants performed to the highest standards in satisfying the demands of their agreements and in meeting the needs of JSG, BJA and the tribes that we served.

OIG Audit

As a result of the OJP audit, JSG quickly became aware that its accounting procedures fell short of Federal standards. We have always taken our responsibility to meet grant requirements very seriously. JSG has always had controls in place and has been conscientious in its management of Company finances. All of our grants, including special conditions, were provided to our outside accountants for review and to ensure that they understood the requirements of the grants. JSG relied on certifications of our accountants to support our belief that our systems were sufficient to maintain internal controls. In fact, in November 2007, we had received an “Accounting System and Financial Capability Questionnaire” executed by our accountants certifying that our accounting systems were adequate to meet the criteria outlined in the OJP Financial Guide. **(See Attachment D – Certification.)** We reasonably relied on that certification. That reliance, in hindsight, was misplaced. In any event, whenever a shortcoming in procedures was brought to our attention, we immediately did everything in our power, including retaining a series of expert accountants and advisors, to bring our organization into compliance.

A-133 audits of JSG conducted by an independent accounting firm with experience in federal grants for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. In fact, JSG received clean A-133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements. These enhanced procedures are further elaborated on in Management’s Response to Audit Recommendations below.



Response to Recommendations:

Recommendation #1: Ensure that JSG implements policies and procedures related to cash management to ensure federal cash on hand is kept to the minimum needed and that drawdown funds are spent within the 10 day requirement.

Management Response: *This condition has been satisfied.*

Satisfaction of this condition has been verified in A-133 audits of the Company conducted by Savastano, Kaufman & Company, LLC, CPA (SKC), an independent accounting firm with expertise in federal grants. A-133 audits of JSG for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. In fact, JSG received clean A133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements.

Enhanced procedures, which the Company has had in place for the past 2- 3 years include the following:

- JSG has converted its in-house general ledger system to QuickBooks with the assistance of an accounting firm with expertise in federal grant requirements. JSG's QuickBooks accounting system reflects all transactions in detail and in accordance with grant requirements.
- JSG employs a fulltime bookkeeper that, among other tasks, codes all bills, bank statements and credit cards for entry into the QuickBooks system. JSG contracted with a second bookkeeper with expertise in grant management and QuickBooks to perform actual data entry.
- In April 2010, JSG implemented a web-based timekeeping system ("Harvest") that allows all Company staff to record all hours worked by grant and non-grant activities on a daily basis. This system, in connection with our enhanced accounting policies and procedures, facilitates timely review of budget expenses against allocations.
- JSG contracts with Paychex, a payroll service firm, to manage payroll functions and payroll accounting. JSG worked with Paychex Human Resource Services to document all company policies and procedures in an employee handbook, which includes enhanced payroll accounting policies and procedures. The Employee Handbook, which was published in June 2011, has been reviewed and updated periodically since that time. All JSG employees have been issued a hard copy of the Employee Handbook and have access to an electronic version of the Handbook.
- JSG worked with its Expert Accountant and specialist in grant compliance to develop and implement enhanced forms and procedures to document, review and approve all draw-downs. As of January 1, 2012, JSG's QuickBooks system generates all reports required for draw-downs.
- JSG implemented and maintains enhanced accounting systems, controls and procedures over grant-funded projects. The QuickBooks system allocates actual indirect costs and fringe expenses based on labor distribution. Also, JSG continues to keep a chart of accounts that enables the organization to



track expenses by grant budget categories. This permits JSG to monitor expenses against grant budgets and allocations on a regular basis, and to submit budget modification requests through Grant Adjustment Notices as warranted. The new chart of accounts also facilitates timely and accurate reports by grant and grant budget categories.

- As of January 2012, JSG has submitted GANs for budget draw-downs with all expenses and costs (direct and indirect/ administrative) as line items. JSG has instituted accounting procedures to document and line item each and every expense and/or cost incurred with OJP program funds, including all payroll and payroll fringe and administrative/indirect costs. In addition, at the request of our BJA grant manager, JSG submits General Ledgers in accrual and cash basis for each OJP grant from inception on a monthly basis along with monthly Profit and Loss reports, monthly Personnel Salaries Transaction By Detail, and monthly Profit and Loss by grantor.
- JSG has been working closely with our BJA grant manager and OCFO to comply with all enhanced protocols and documentation requirements established by OJP for draw-downs.
- JSG has applied to OJP and has been issued an Indirect Cost Negotiated Agreement with a negotiated Fringe Benefits rate of 23.72% and an indirect (overhead) Cost Rate of 17.20% (40.92% aggregate rate).

Recommendation #2: Ensure that JSG establishes formalized internal control procedures and implements an accounting system that ensures expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.

Management Response: *This condition has been satisfied.*

JSG has converted its in-house general ledger system to QuickBooks with the assistance of an accounting firm with expertise in federal grant requirements. JSG's QuickBooks accounting system reflects all transactions in detail and in accordance with grant requirements.

JSG has also implemented and maintains enhanced accounting systems, controls and procedures over grant-funded projects. The QuickBooks system allocates actual indirect costs and fringe expenses based on labor distribution. Also, JSG continues to keep a chart of accounts that enables the organization to track expenses by grant budget categories. This permits JSG to monitor expenses against grant budgets and allocations on a regular basis, and to submit budget modification requests through Grant Adjustment Notices as warranted. The new chart of accounts also facilitates timely and accurate reports by grant and grant budget categories.

Satisfaction of this condition has been verified in A-133 audits of the Company conducted by Savastano, Kaufman & Company, LLC, CPA (SKC), an independent accounting firm with expertise in federal grants. A-133 audits of JSG for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. In fact, JSG received clean A133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements.



Recommendation #3: Remedy \$649,844 in questioned costs from Grant No. 2008-IP-BX-K001, and \$64,438 in questioned costs from Grant No. 2009-ST-B9-0101.

Management Response: *We do not concur with this recommendation.*

As Management has previously acknowledged, this audit is not about a company that utilized grant money inappropriately; rather, it arises from accounting and grant management weaknesses in a rapidly growing, woman-owned company in its early years. JSG has corrected all of these weaknesses and can now boast procedures that represent the “gold standard” in grant compliance. This is supported by the Company’s A-133 audits for 2011 and 2012, which provide evidence that the Company has in place systems that meet or exceed all federal grant requirements.

Management has provided voluminous documentation to validate the vast majority of the items of questioned costs presented in the Draft Report. Management respectfully submits that through this entire process the Company has been responsive to all data and documentation requests and has operated with complete transparency, while continuing to deliver the same high quality, cost-effective work and results as it always has. We further respectfully submit that all government funds received were tracked and utilized for their intended purpose. In sum, we respectfully request that our cooperation, evidence of delivered services, and rapid improvement in accounting procedures serve as the remedies for all but \$17,55.62 of the questioned costs identified in this report.

As for the costs to be remedied, the Company acknowledges that some inadvertent mistakes were made during a period of rapid growth and intense activity by the Company. As such, we concur that a total of \$1,328.38 in unsupported costs and \$ 16,222.24 in unallowable costs, which were the results of Company errors, should be remedied by the Company.

Recommendation #4: Ensure that JSG implements policies to ensure future compliance with budgetary requirements.

Management Response: *This condition has been satisfied.*

Satisfaction of this condition has been verified in A-133 audits of the Company conducted by Savastano, Kaufman & Company, LLC, CPA (SKC), an independent accounting firm with expertise in federal grants. A-133 audits of JSG for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. In fact, JSG received clean A133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements. (See also Management Response to Recommendation #1 above.)

Recommendation #5: Ensure that JSG develops formal policies and procedures to ensure that property records and inventory lists are maintained for each grant to accurately reflect the equipment and property purchased with federal funds and complies with all requirements detailed in the OJP Financial Guide.

Management Response: *This condition has been satisfied.*



According to the OJP 2013 Financial Guide Section III Post award requirements, 3.7 Property and Equipment, "property records must be maintained and include: Description of the property, Serial number or other identification number, Source of the property, Identification of the title holder, Acquisition date, Cost of the property, Percentage of Federal participation in the cost of the property, Location of the property, Use and condition of the property, Disposition data, including the date of disposal and sale price".

JSG has had formal policies and procedures in place since April 2010 to ensure that property records and inventory lists are maintained for each grant to accurately reflect the supplies and/or equipment purchased with federal funds in compliance with all requirements detailed in the OJP Financial Guide.

All Company policies have been documented in a formal Employee Handbook, which has been distributed in hard copy to all employees and which is available online.

Recommendation #6: Ensure that JSG develops formal written policies and procedures to ensure reports reflect actual expenditures and obligations as required by the OJP Financial Guide and Recovery Act reporting requirements.

Management Response: *This condition has been satisfied.*

JSG has a fully integrated accounting system to record, allocate and monitor financial activity to ensure accurate reporting of expenses in financial statements and federal reports as required by its grants. Financial statements are prepared in accordance with generally accepted accounting principles.

Satisfaction of this condition has been verified in A-133 audits of the Company conducted by Savastano, Kaufman & Company, LLC, CPA (SKC), an independent accounting firm with expertise in federal grants. A-133 audits of JSG for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. In fact, JSG received clean A133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements. (See also Management Response to Recommendation #1 above.)



Recommendation #7: Ensure that JSG develops policies and procedures to ensure that appropriate documentation is collected and maintained to support the performance measures listed in each Categorical Assistance Progress Report.

Management Response: *This condition has been satisfied*

According to the Cooperative Agreement for both Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101, "The recipient agrees to track and report to BJA on its training and technical assistance activities and deliverables progress using the guidance and format provided by BJA." JSG staff participated in BJA-provided training on how to complete the required semi-annual GMS and quarterly TTARS reporting. JSG keeps documentation of that training. In April 2011, JSG developed a formal job task sheet for the individual responsible for this reporting. Appropriate documentation is collected and maintained on our server daily to track deliverables and used to complete the TTARS and GMS.

To our best knowledge, every report since the beginning of the grant has been submitted accurately and in a timely manner. This can be verified since each report has been approved by our grant manager.

Recommendation #8: Remedy costs associated with the award Special Conditions non-compliance and ensure JSG implements policies that prevent future non-compliance.

Management Response: *We both agree and do not concur with this recommendation.*

The Company agrees and has in place policies to ensure compliance with grant terms and conditions.

If our understanding of the questioned costs is correct, as state below, then we do not believe that any remedy is warranted.

We believe that this Recommendation refers to expenditures in the amount of \$61,396.13 which were made by the Company with its own funds between September 2009 and January 2010 to commence work under the Recovery Grant. These funds were spent during the period of time after the award of the Recovery Grant, but before the grant funds were actually released and available to the Company. These funds were advanced by the Company with full knowledge that there was no *guarantee that the funds would ever be reimbursed* if for any reason the funds were never released by the government; however, they were spent with the *unequivocal understanding* that the Company was allowed to obligate grant funds from the date of the grant award. These funds were used to expedite planning for the implementation of the Recovery Grant Training and Technical Assistance (TTA) program. Related planning meetings, which involved the Company's key team members, were conducted with the knowledge and consent of the Bureau of Justice Assistance (BJA). These planning meetings included a 4-day trip to Washington, D.C. to facilitate a meeting between representatives of BJA, BIA and Recovery-funded tribal grantees. When the Recovery Grant funds were released, the President of the Company sought and received written confirmation from the BJA that it could seek reimbursement for the advanced funds in question. (**See Attachment E – BJA Email**)

It should be noted that the Recovery TTA grant was awarded to the Company in September 01, 2009; however, prior to that time Recovery funding had been already been awarded to Tribes that were eligible to receive TTA from the Company under its Recovery grant award. Therefore, we believed that



it was critical for the Company to “hit the ground running” in order to be responsive to the needs of the BJA and the tribes that received Recovery grants to build or renovate justice facilities. Further, all funds in question were documented and spent for activities within the scope of the Recovery Grant.

Recommendation #9: Ensure that, as it relates to Special Condition No. 11 under Grant No. 2009-ST-B9-0101, JSG adequately complies with the requirement that all consultant contracts are competitively bid.

Management Response: *This condition has been satisfied.*

JSG has and abides by formal Procurement Policies & Procedures (in effect since December 2011), which incorporate federal grant requirements that in part state, “All contracts under this award should be competitively awarded unless circumstances preclude completion”.

JSG’s formal Procurement Policies & Procedures state, “Whenever possible, the President or the President’s appointed designee will solicit pricing and service information from 3 consultants. Price quotes may be received by telephone or informal written quotations. Justification for occasionally soliciting fewer than 3 consultants for the engagement of services under \$100,000 includes some or all of the following factors: a) time constraints; b) vendor’s industry-wide reputation for excellence, local industry standard fee range, and reliability; c) uniqueness of services; d) timely availability and flexibility of services; and e) if we have established a satisfactory ongoing relationship resulting in smooth, efficient operation, priority service, and competitive fee.”

Team Member Contracts: When JSG pursues a contract or grant with named team members/partners and that grant is awarded based on the credentials and quality of the proposed project team, JSG shall be free to contract with those team members/partners for the services contemplated in the application without the need for the Competitive Proposal Requirements.

Recommendation #10: Ensure that JSG improves policies governing its monitoring of consultants to ensure financial and programmatic responsibilities are fulfilled and consultant payments are made after all requirements of the contract, OJP Financial Guide, and the FAR have been satisfied.

Management Response: *This condition has been satisfied.*

Management maintains that it always has placed the utmost importance on monitoring its consultants and holding them to performance of their tasks at the highest standard that is responsive to the needs of the Company, BJA and the tribal grantees that we serve. The Company has policies in place to ensure that consultant contracts are entered only with responsible contractors who possess the ability to perform successfully under the terms and conditions of the proposed contract. Consideration is given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.



Consultant contracts are limited and specific as to scope, allotted time and tasks. Invoices are reviewed by the JSG bookkeeper for accuracy and completeness and submitted to the President or the President's authorized representative for written approval prior to being processed. Payments are made when required performance is satisfied.

Respectfully submitted,

A handwritten signature in blue ink that reads "Shelley Zavlek".

Shelley Zavlek,
President, Justice Solutions Group

CC: Christopher Hall, Esq.
Saul Ewing LLP

Linda Taylor
Lead Auditor
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

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

OJP'S RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

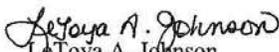
Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

APR 29 2014

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

FROM: 
LeToya A. Johnson
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance Correctional Facilities on Tribal Lands Training and Technical Assistance Program Grants, Awarded to Justice Solutions Group, Closter, New Jersey*

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

The draft report contains **10** recommendations and **\$714,282** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP ensure that JSG implements policies and procedures related to cash management to ensure Federal cash on hand is kept to the minimum needed and that drawdown funds are spent within the 10 day requirement.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that Federal cash-on-hand is kept to the minimum needed for immediate disbursement, or within 10 days of receipt.

2. **We recommend that OJP ensure that JSG establishes formalized internal control procedures and implements an accounting system that ensures expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.

3. **We recommend that OJP remedy \$649,844 in questioned costs from grant number 2008-IP-BX-K001, and \$64,438 in questioned costs from grant number 2009-ST-B9-0101.**

OJP agrees with the recommendation. We will coordinate with JSG to remedy the \$649,844 in questioned costs associated with grant number 2008-IP-BX-K001, and the \$64,438 in questioned costs associated with grant number 2009-ST-B9-0101.

4. **We recommend that OJP ensure that JSG implements policies to ensure future compliance with budgetary requirements.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure future compliance with budgetary requirements.

5. **We recommend that OJP ensure that JSG develops formal policies and procedures to ensure that property records and inventory lists are maintained for each grant to accurately reflect the equipment and property purchased with Federal funds, and complies with all requirements detailed in the OJP Financial Guide.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that property records and inventory lists are maintained for each grant, which accurately reflect the equipment and property purchased with Federal funds; and JSG complies with requirements detailed in the OJP Financial Guide.

6. **We recommend that OJP ensure that JSG develops formal written policies and procedures to ensure reports reflect actual expenditures and obligations as required by the OJP Financial Guide and Recovery Act reporting requirements.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that future Federal Financial Reports reflect actual expenditures and obligations, as required by the OJP Financial Guide and Recovery Act reporting requirements.

7. **We recommend that OJP ensure that JSG develops policies and procedures to ensure that appropriate documentation is collected and maintained to support the performance measures listed in each Categorical Assistance Progress Report.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that adequate documentation is collected and maintained to support the performance measures listed in each semi-annual Categorical Assistance Progress Report.

8. **We recommend that OJP remedy costs associated with the award Special Conditions non-compliance and ensure JSG implements policies that prevent future non-compliance.**

OJP agrees with the recommendation. The OIG agreed that this finding is solely a management recommendation to address JSG's non-compliance with special conditions. As such, we will coordinate with JSG to obtain a copy of policies and procedures implemented to ensure the prevention of future non-compliance.

9. **We recommend that OJP ensure that, as it relates to Special Condition No. 11 under grant number 2009-ST-B9-0101, JSG adequately complies with the requirement that all consultant contracts are competitively bid.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that future consultant contracts are competitively bid, and in compliance with the requirements of the OJP Financial Guide.

10. **We recommend that OJP ensure that JSG improves policies governing its monitoring of consultants to ensure financial and programmatic responsibilities are fulfilled and consultant payments are made after all requirements of the contract, OJP Financial Guide, and the Federal Acquisition Requirements (FAR) have been satisfied.**

OJP agrees with the recommendation. We will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that consultants are adequately monitored.

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

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

cc: Denise O'Donnell
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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20140211153956

APPENDIX VIII

ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and Justice Solutions Group (JSG). JSG’s response is incorporated as Appendix VI and OJP’s response is incorporated in Appendix VII of this final report. We reviewed JSG’s response and attachments and found that neither included adequate supporting documentation for the questioned costs identified in the audit report. The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Analysis of OJP’s Response to the Draft Report

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

Analysis of JSG’s Response

In its response to our draft report, JSG made general statements and provided attachments that we believe need to be addressed.

Statement No.	JSG’s Response	OIG Analysis
1	JSG did not have the benefit of the Audit Report Findings and Recommendations until May 2013, when they were first released in a Draft Audit Report. Nor did JSG have the benefit of an Exit Conference for the presentation and discussion of Findings and Recommendations until June 24, 2013. (Appendix VI p. 2)	The OIG strongly disagrees with this assertion. At the end of our second week of fieldwork, on March 11, 2010, at 4:20 p.m., we held a preliminary exit conference with JSG officials to: (1) reiterate the objective of the audit which was to determine whether reimbursement for claimed costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; (2) discuss our preliminary findings; and (3) explain the report writing process. Specifically, during this meeting we discussed: Unallowable Expenditures . The OIG explained the issues identified with the JSG President’s salary and fringe benefits; the reimbursement of tips by JSG employees and consultants; alcohol purchased with grant funds; Recovery Act expenditures incurred prior to OJP budget clearance, indirect costs reimbursed without an approved indirect cost

		<p>rate and that were not approved in the grant budget; and the non-compliance with OJP's 10 percent rule related to the movement of budgeted grant dollars.</p> <p>Unsupported Expenditures. The OIG explained that consultant payments and expenses greater than \$75 that were missing supporting documentation. Additionally, the OIG informed JSG officials that we would supply a list of documentation needed for support of many grant transactions in order to provide JSG the opportunity to provide this support after our fieldwork. On April 1, 2010 we provided JSG with a listing of the questioned costs. We requested documentation be provided to us by April 23, 2010. JSG did not provide any additional documentation.</p> <p>Personnel Transactions. The OIG identified personnel transactions that were not supported by timesheets for full-time personnel and payment of bonuses without prior approval from OJP.</p> <p>Inability to Categorize Grant Expenditures. The OIG explained that we were not able to identify which approved budget category grant expenditures applied to due to JSG's insufficient accounting information.</p>
2	<p>Forty-five of the tribal grantees with which we worked through the grant programs were issued an OIG survey by email regarding JSG's delivery of services under the grants. There is no mention of this survey in the Draft Report. (Appendix VI p. 1, 2)</p>	<p>As explained on page 35 of this report, we were not provided sufficient documentation to verify one training workshop, three planning events, and two training and briefing sessions. Additionally, we were unable to verify the technical assistance JSG provided to tribes due to its incomplete tribal consultant logs and insufficient documentation related to the establishment and maintenance of the planning section of the Tribal Justice and Safety web site. Due to JSG's lack of supporting documentation, we were unable to fully determine JSG's contribution toward assisting tribes in planning correctional facilities. As a result, we attempted to obtain assurance through end-user surveys.</p> <p>As explained to JSG officials during the exit conference conducted on March 11, 2010, the end-user survey is part of our standard audit procedures, which is approved by the Assistant Inspector General for the Audit Division in order to determine: (1) the services received; (2) whether the services provided were consistent with the grant program goals and objectives; and (3) whether or not the program was effective in meeting the end user needs. Although JSG officials discouraged the OIG from contacting end</p>

		users, by accepting Federal funding, the OIG has the obligation to attempt to obtain relevant information to assure federal funds are being used appropriately. Although we made every effort to obtain responses from all 45 contacts from the 19 tribal governments, because the response rate to the survey was extremely low, in our judgment the information obtained was not adequate to draw conclusions about services provided by JSG.
3	The Draft Audit Report focuses primarily on two grants – Grants No. 2008-IP-BX-K001 (PACIFIC 08) and 2009-ST-B9-0101 (Recovery) – with draw-downs at the time of the audit totaling \$796,603. As such, we question the prominent and repeated references in the Draft Report to the completion of an audit of our grants totaling \$6,856,394, and no mention in the Draft Report narrative of the \$796,603 in question. (Appendix VI p. 2)	The scope of our audit covered all four grants totaling \$6,856,394. However, as stated in our report, as of the start of our audit two grants did not have associated drawdowns, and drawdowns for the other two grants totaled \$796,603. As a result, our audit testing was limited to reimbursements for the \$796,603 in drawdowns, as stated in the report, and analysis focused primarily on Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101. Subsequent to the start of the audit, we put our audit on hold pending resolution of a referral to the OIG Investigations Division. Because our audit testing had implications for JSG’s management of the other two grants, Grant Nos. 2009-IP-BX-K002, 2009-S4-BX-K146, they were included in our audit scope.
4	Also featured prominently, and repeated on page 2 of the Executive Summary and the Introduction, is the 2009 “compensation” of the President of the Company. This information which was added to the February 2014 Draft Report, is misleading (as the Company is a sole proprietorship with non-grant work) and characterizes the compensation in a manner that we believe misinterprets OMB regulations. (Appendix VI p. 2 Footnote 3)	JSG did not explain how it believes that the OIG misinterpreted the OMB regulations, and it is unclear what JSG is taking exception with, therefore we cannot fully address the comment. However, as stated in Special Condition No. 10 for Grant No. 2008-IP-BX-K001 and Special Condition No. 19 for Grant No. 2009-ST-B9-0101, “no portion of these federal grant funds shall be used towards any part of the annual cash compensation of any employee of the grantee whose total annual cash compensation exceeds 110 percent of the maximum salary payable to a member of the federal government’s Senior Executive Service (SES) at an agency with a Certified SES Performance Appraisal System for that year.” We calculated the “total cash compensation” paid to the President of JSG for 2009 and determined the amount paid exceeded 110 percent of the maximum salary payable by \$58,626. When calculating “total cash compensation” paid, we included non-grant work as that was part of the President of JSG’s “total cash compensation.” Because the President’s “total annual cash compensation” exceeded 110 percent of the maximum allowable salary, no portion of the federal grant funds were allowed to be used toward the President of JSG’s compensation.

		<p>Additionally, not only was the President of JSG's compensation questioned as unallowable due to the non-compliance with Special Condition No. 10, we identified 3 other non-compliance issues which resulted in the questioning of the President of JSG's compensation. First, was the method of payment as distribution checks. The Federal Acquisition Regulations (FAR) specifically states that this method of payment is unallowable, making all \$202,680 paid with grant funds as of January 31, 2010, to the President of JSG unallowable. Second, the President of JSG total compensation exceeded the budgeted amount by \$100,439. The excess amount paid was unallowable. Last, none of JSG's full-time employees maintained time sheets for their work on multiple grants. Therefore, the compensation paid to the President of JSG's was unsupported. Throughout JSG's response it did not adequately address the non-compliance with Special Condition No. 10 nor address the other non-compliance issues related to the President of JSG's compensation. JSG has presented no information that would remedy the questioned costs.</p>
5	<p>Further, the Draft Report calls on OJP to remedy \$714,282 of the \$796,603 in total costs as unallowable and unsupported expenditures, despite the delivery by JSG of expansive documentation supporting costs and clear evidence of an abundance of high quality services and work product satisfactorily delivered to and accepted by BJA and tribal grantees. (Appendix VI p. 2)</p>	<p>During our audit, the OIG reviewed JSG's expenditures to ensure compliance with the <i>OJP Financial Guide</i> and FAR. Based on our review we identified \$445,843 in unallowable costs. Unallowable costs, regardless of supporting documentation, should not have been charged to the grant by JSG. We also identified \$701,491 in unsupported questioned costs, which represents expenses for which JSG did not provide adequate documentation. Of the total unsupported questioned costs, \$455,515 was also unallowable. To ensure questioned costs were not double counted, only the unsupported costs that were not also unallowable were reflected in the body of the report. Additionally, despite JSG's assertion that they provided expansive documentation supporting these costs, the documentation was not adequate. For example, based on the support provided, a number of the consultants did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice or billing was submitted by the consultants with detail regarding time expended and the nature of services provided. Therefore, JSG did not present any additional information that would remedy the questioned costs or provide clear evidence that it delivered satisfactory work products.</p>
6	<p>Preparing a Response to this</p>	<p>Due to the expansive categories and amounts of</p>

	<p>Draft Report was extremely challenging due to the use by the OIG Audit Team of numbers and statistics that were very difficult and often impossible to validate, and the inconsistent and confusing presentation of information. For example, Appendix III and IV of the Draft Report identify a total of \$1,053,842 in questioned costs comprised of \$679,028 in unsupported costs and \$374,874 in unallowable costs. However, the body of the Report identifies \$714,282 in questioned costs (page 4) comprised of \$268,439 in unsupported costs and \$445,843 in unallowable costs (derived by adding total unallowable and unsupported costs listed in Tables 5 and 6 on pages 14 and 23, respectively, of the Draft Report). This also raises a question as to how the total unallowable costs identified in the body of the Report (\$445,843) can exceed the total unallowable costs in Appendix III and IV (\$374,874). This differential is explained by an unallowable cost of \$71,030 for "Over Allowable 10 Percent Budget Movement" found on row 14 of Table 5 (page 14). (Appendix VI p. 2 Footnote 4)</p>	<p>questioned costs, many transactions were not only unallowable, but also unsupported. To avoid double counting transactions, in the body of the report, we presented the total unallowable and then the unsupported questioned costs that were not also unallowable, which totaled \$714,282. To simplify, Appendix II identifies questioned costs identified by type with a reference to the page number where each cost is discussed. Further, in each section of the report, we state the total unsupported amount and make a statement that, to avoid double counting of questioned costs, we only presented the unsupported questioned costs that were also not unallowable. Appendix III and IV identifies \$1,053,842 in questioned costs, which provides the details of each transaction, showing which were unallowable or unsupported or both. Also, JSG questions how the total unallowable costs in the body of the report can be different than the appendices. Appendix III and IV are the results from our transaction testing as stated in the title of each appendix. The remaining \$71,030 in unallowable costs for Grant No. 2008-IP-BX-K001 were not included in Appendix III because they did not relate to our transaction testing. These costs were identified in the Budget Management and Control section of the report. Also, the remaining \$22,463 in unsupported questioned costs for Grant No. 2009-ST-B9-0101, were not included in Appendix IV because they did not relate to our transaction testing. These costs were identified in the Drawdowns section of the report.</p>
7	<p>To accept the findings of the current Draft Report would mean that JSG is compensated a total of \$82,321 for all services and work products delivered over the 2-year audit period, which included all costs related to the development and delivery of two weeklong PACIFIC Workshops to tribal grantees from around the</p>	<p>A special condition for each grant JSG received stated that, "the recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the <i>OJP Financial Guide</i>." As such, when JSG agreed to accept the awards, it did so under the condition that it agreed to adhere to all the terms and conditions of the awards. Our audit identified \$714,282 in questioned costs because the documentation JSG provided indicates it did not comply with the terms and conditions of the <i>OJP Financial Guide</i>. The rules of the <i>OJP Financial Guide</i> apply to all</p>

	country. Denying JSG fair compensation for services that were contracted, satisfactorily performed, and accepted with approval by the government and its tribal grantees is neither equitable nor reasonable. (Appendix VI p. 3)	grantees who receive federal funding from OJP. JSG's response to our draft report discusses its recent improvements to financial controls and key deliverables it produced, but it provides no support for the costs that we question.
8	This audit is not about a company that utilized grant money inappropriately; rather, it arises from accounting and grant management weaknesses in a rapidly growing, woman-owned company in its early years. (Appendix VI p. 3, p. 5, p. 8)	In our opinion, although we agree that JSG had accounting and grant management weaknesses, JSG also did not use the grant funds appropriately. The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. Based on our work, the identification \$714,282 in questioned costs, including \$445,843 in unallowable costs, indicates that grant funds were not used appropriately.
9	We further respectfully submit that all government funds received were tracked and utilized for their intended purpose. (Appendix VI p. 3)	Again, we found \$714,282 in questioned costs. Of these costs \$445,843 were unallowable, meaning these funds were used for unapproved expenses. We also found significant concerns with JSG's tracking system that resulted in \$701,491 in unsupported questioned costs. These concerns include: the use of lump sum payments without detailed accounting records, inaccurately recorded transactions, transactions that were not properly authorized, lack of documentation to support transactions, and use of federal grants funds for unallowable expenses. Based on the results of our audit work, JSG's statement is not accurate.
10	Much of the requested documentation was available during our fieldwork, but not readily accessible. (Appendix VI p. 4)	We disagree with JSG's statement. To date we are still missing adequate supporting documentation for 156 grant expenditures totaling \$701,491. During our first week of fieldwork on February 8, 2010, we selected an initial sample of 40 transactions from Grant No. 2008-IP-BX-K001, for which, after a week, JSG provided some support for only 6 transactions, none of which was sufficient. At the time of our first week of fieldwork, JSG did not have accounting records for Grant No. 2009-ST-B9-0101. Based on risks identified during our initial fieldwork, we informed JSG officials on February 16, 2010, that we were expanding our transaction testing to include all expenditures listed in the accounting records for Grant No. 2008-IP-BX-K001 and expenditures to support drawdowns as of February 1, 2010, for Grant No. 2009-ST-B9-0101.

		<p>During our second week of fieldwork on March 8, 2010, we requested documentation for all 112 transactions listed in JSG's general ledger for Grant No. 2008-IP-BX-K001 and support for the \$79,103 in drawdowns as of February 1, 2010, for Grant No. 2009-ST-B9-0101. We requested this documentation be made available for review on March 8, 2010. The documentation provided for Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101 was not adequate. On April 1, 2010, we provided JSG a listing of questioned costs and again requested supporting documentation from JSG. JSG did not provide any additional documentation. In May 2013, JSG requested an opportunity to provide additional supporting documentation, which we reviewed and determined \$701,491 in expenses were still missing adequate supporting documentation.</p>
11	<p>The Audit Team never communicated its observations to JSG; nor was an exit conference held at that time. (Appendix VI p. 4)</p>	<p>See our analysis for Statement No. 1 above.</p>
12	<p>Note 4 on page ii of the Executive Summary, which is repeated in note 5 on page 4 of the Introduction, appears to misrepresent the context of this response by failing to make clear that the Company was providing documentation that responded largely to new items of questioned cost that were not on the Transaction Spreadsheet presented during the audit field-work period and new information derived from the exit conference that took place in June 2013. (Appendix VI p. 4 Footnote 5)</p>	<p>We disagree with JSG's statement. These were not new transactions. On April 1, 2010 we provided JSG with a listing of the questioned costs. We requested documentation be provided to us by April 23, 2010. JSG did not provide any documentation at that time. When JSG provided additional documentation to the "new items," they provided documentation related to the transactions listed on our April 1, 2010 request. Therefore, these transactions were provided to JSG in 2010. However, it failed to respond until 2013.</p>
13	<p>All promised products and services under PACIFIC 08 were delivered with acknowledged success and satisfaction of government oversights and tribal grantees. (Appendix VI p. 4)</p>	<p>We disagree with JSG's assertion. As explained on page 35 of this report, we were not provided sufficient documentation to verify one training workshop, three planning events, and two training and briefing sessions. Additionally, we were unable to verify the technical assistance JSG provided to tribes due to its incomplete tribal consultant logs and insufficient documentation related to the establishment and maintenance of the planning section of the Tribal Justice and Safety web site.</p>
14	<p>The lack of FAR compliant</p>	<p>Although JSG acknowledges shortcomings, we</p>

	documentation for costs was not due to intentional or willful financial impropriety or fraud, but instead, was the result of shortcomings in grant accounting policies and practices within JSG, including accounting policies and procedures that were inadequately documented. (Appendix VI p. 5)	identified \$445,843 in unallowable costs. These costs were incurred on items that were not appropriate uses of grant funding awarded under Grant Nos. 2008-IP-BX-K001 and 2009-ST-B9-0101. This non-compliance is more significant that lack of documentation.
15	In addition, all contractors that were retained by JSG under the grants performed to the highest standards in satisfying the demands of their agreements and in meeting the needs of JSG, BJA and the tribes that we served. (Appendix VI p. 5)	We disagree with JSG's statement. From our review, we identified multiple contract requirements that were not fulfilled and for which supporting documentation was not provided. For example the consultants were contracted to develop project curriculum, participate or attend briefing sessions and advisory committee meetings, participate in development of publications, and project management. We were unable to verify that the consultants developed the required curricula, attended the required number of briefings and meetings, participated in publication development, or provided project management. Other consultants were required to provide technical assistance to tribes, including a contacting each tribe twice monthly, completing monthly assessments of project status and technical assistance needs, and providing quarterly technical assistance summaries to JSG. Based on the support provided, we found that consultants consistently did not contact the tribes the required number of times each month. Also, we were not provided a single monthly assessment or quarterly technical assistance summary completed by any of the consultants. JSG did not provide adequate documentation to show that consultants satisfied the requirements of the contracts.
16	JSG relied on certifications of our accountants to support our belief that our systems were sufficient to maintain internal controls. In fact, in November 2007, we had received an "Accounting System and Financial Capability Questionnaire" executed by our accountants certifying that our accounting systems were adequate to meet the criteria outlined in the <i>OJP Financial Guide</i> . (Appendix VI p. 5)	JSG is ultimately responsible for compliance with the <i>OJP Financial Guide</i> and FAR. Additionally, the President of JSG also signed the "Accounting System and Financial Capability Questionnaire," which includes a certification that time records would be maintained. However, this was not done by the President of JSG or any other full-time JSG employee. By signing that document, the President of JSG acknowledged this requirement as well as all other grant requirements contained in the <i>OJP Financial Guide</i> and FAR.

17	<p>Satisfaction of this condition has been verified in A-133 audits of the Company conducted by an independent accounting firm with expertise in federal grants. A-133 audits of JSG for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. In fact, JSG received clean A-133 Audits—with no findings—for fiscal years 2011 and 2012. (Appendix VI p. 6, p 7, p. 8, p. 9)</p>	<p>We disagree with JSG's statement. The FY 2011 audit noted two findings related to unallowable costs and untimely submission of the A-133 audits. However, we performed our audit independent of the A-133 audits and we did not verify the results of those A-133 audits.</p>
18	<p>JSG has applied to OJP and has been issued an Indirect Cost Negotiated Agreement with a negotiated Fringe Benefits rate of 23.72% and an indirect (overhead) Cost Rate of 17.20% (40.92% aggregate rate) (Appendix VI p. 7)</p>	<p>We reviewed GMS on April 29, 2014 and found that the last budget modification request by JSG, approved by OJP on March 20, 2014, stated that the agreement had not been finalized. Therefore, as of April 29, 2014 there was no support for JSG assertion that an indirect cost rate has been approved. The <i>OJP Financial Guide</i> states that, "if a recipient does not have an approved federal indirect cost rate, funds budgeted for indirect costs will not be recoverable until a rate is approved." As a result, any expenses charged for indirect costs cannot be covered with grant funds. For Grant No. 2008-IP-BX-K001 the total indirect costs totaled \$82,312 in FY 2009. Additionally the A-133 auditors identified \$22,117 in 2010 and \$23,867 in 2011 of unallowable indirect costs for Grant No. 2008-IP-BX-K001. Despite multiple years of incurring unallowable costs, JSG continued to disregard <i>OJP Financial Guide</i> criteria and A-133 auditor findings.</p>
19	<p>We further respectfully submit that all government funds received were tracked and utilized for their intended purpose. In sum, we respectfully request that our cooperation, evidence of delivered services, and rapid improvement in accounting procedures serve as the remedies for all but \$17,551 of the questioned costs identified in this report. As for the costs to be remedied, the Company acknowledges</p>	<p>We disagree with JSG. JSG states they concur with \$17,551 in questioned costs including \$16,222 in unallowable costs. They do not explain which costs they concur with and why they do not concur with the other costs. We have reviewed all documentation submitted by JSG and have identified \$714,282 in questioned costs. This includes \$445,843 in costs that are unallowable. There is no additional documentation or explanation that can be provided by JSG for the unallowable expenses because these were incurred for costs that are not appropriate uses of federal grant funds. In its response, JSG presented no information that would remedy the questioned costs. As such, the total questioned costs remain</p>

	<p>that some inadvertent mistakes were made during a period of rapid growth and intense activity by the Company. As such, we concur that a total of \$1,328.38 in unsupported costs and \$ 16,222.24 in unallowable costs, which were the results of Company errors, should be remedied by the Company. (Appendix VI p. 8)</p>	<p>\$714,282, including \$445,843 in unallowable costs that should be remedied.</p>
20	<p>Recommendation #4: Management Response: <i>This condition has been satisfied.</i></p> <p>Satisfaction of this condition has been verified in A-133 audits of the Company conducted by an independent accounting firm with expertise in federal grants. A-133 audits of JSG for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by JSG to achieve full compliance with all federal grant and FAR requirements. (Appendix VI p. 8)</p>	<p>See our analysis for Statement No. 17 above. One of the two findings in the A-133 audit for 2011 was questioned costs related to the movement of dollar amounts among budget categories in excess of 10 percent without approval. The auditors identified \$170,734 in likely questioned costs for Grant No. 2008-IP-BX-K001. Despite the OIG's finding and A-133 audit findings, JSG's non-compliance with budgetary requirements has continued.</p>
21	<p>These funds were advanced by the Company with full knowledge that there was no <i>guarantee that the funds would ever be reimbursed</i> if for any reason the funds were never released by the government; however, they were spent with the <i>unequivocal understanding</i> that the Company was allowed to obligate grant funds from the date of the grant award. (Appendix VI p. 10)</p>	<p>We disagree that JSG had an unequivocal understanding that it was allowed to obligate grant funds from the date of the grant award. For Grant No. 2009-ST-B9-1010, there were two special conditions placed on the award that restricted JSG's ability to obligate, expend, or draw down funds until Grant Adjustment Notices (GAN) were issued for both special conditions. We found that JSG incurred \$41,921 in expenses prior to the GANs. The special conditions to not allow the reimbursement of expenses incurred prior to the GANs and explicitly state that JSG was not permitted to obligate or expend funds without the GANs. JSG explained during our fieldwork that they were given permission from the Bureau of Justice Assistance (BJA) to expend funds immediately. We asked JSG for supporting documentation for this approval multiple times during the course of our work. In response, JSG provided an e-mail from BJA dated February 12, 2010, 4 days after the start of our fieldwork, and</p>

		<p>98 days after it incurred its first expense. The e-mail JSG provided contains general criterion related to the availability of funds for a grant. It does not specifically provide relief from the two special conditions placed on JSG's award or provide explicit approval from the BJA. During our fieldwork, we also confirmed with the BJA Associate Deputy Director for Policy that he did not authorize spending without the OCFO budget clearance. To date, JSG has not provided adequate documentation to support receiving approval prior to incur these expenses. Additionally, after speaking with BJA officials, it appears no such approval was given to JSG.</p> <p>Special Condition No. 33: the recipient may not obligate, expend, or draw down funds until the OCFO has approved the budget and budget narrative, and a GAN has been issued to remove this special condition.</p> <p>Special Condition No. 34: the recipient did not submit the OJP General Infrastructure Investment Certification. As a result, the recipient may not obligate, expend, or draw down any funds under this award until: (1) the recipient has submitted to the program office a completed OJP "General Certification as to Requirements for Receipt of Funds for Infrastructure Investments," and (2) a GAN has been issued removing this special condition.</p>
22	<p>When JSG pursues a contract or grant with named team members/partners and that grant is awarded based on the credentials and quality of the proposed project team, JSG shall be free to contract with those team members/partners for the services contemplated in the application without the need for the Competitive Proposal Requirements. (Appendix VI p. 11)</p>	<p>JSG stated that its formal Procurement Policies and Procedures explain that all contracts under this award should be competitively awarded unless circumstances preclude competition. JSG provided a listing of factors that may justify soliciting fewer than three consultants for the engagement of services, including having an established ongoing relationship with a consultant. JSG further stated that it is free to contract with team members or partners for services contemplated in the application without the need for the Competitive Proposal Requirements. Special Condition No. 11 for Grant No. 2009-ST-B9-0101 states that all contracts should be competitively bid unless circumstances preclude competition. JSG has provided no justification as to why it is allowed to circumvent competition because a consultant is a JSG team member or partner.</p> <p>According to the <i>OJP Financial Guide</i>, "all procurement transactions shall be conducted in a manner so as to provide maximum open and free, and fair competition." Contracting with current team members or partners, in fact, appears to be</p>

		a potential organizational conflict of interest and noncompetitive practice. Therefore, JSG does not appear to be in compliance with the special condition.
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Recommendations:

- 1. Ensure that JSG implements policies and procedures related to cash management to ensure federal cash on hand is kept to the minimum needed and that drawdown funds are spent within the 10 day requirement.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that Federal cash-on-hand is kept to the minimum needed for immediate disbursement, or within 10 days of receipt.

In its response, JSG stated that verification of the satisfaction of this and other recommendations was verified in A-133 audits for Calendar Years 2009 through 2012. The single audit did not address the recommendation and it is not clear that cash-on-hand procedures were tested. Additionally, we performed our audit independent of the A-133 audits and we did not verify the results of those A-133 audits. Therefore, we did not rely on those results.

Further, JSG stated that it has enhanced its procedures by converting its in-house accounting system to Quickbooks; employing a full-time and part-time bookkeeper; implementing a web-based timekeeping system; contracting with a payroll service firm to manage payroll functions and payroll accounting; developing and implementing forms and procedures to document, review, and approve all drawdowns; developing controls over grant funds to track expenses by budget category; and instituting accounting procedures to document each line item and every grant expense. However, JSG did not provide documentation that it has implemented a policy to ensure it adheres to the federal cash on hand procedures.

This recommendation can be closed when we receive evidence that JSG has a policy in place to ensure federal cash on the minimum needed and drawdowns funds are spent within the 10 day requirement.

- 2. Ensure that JSG establishes formalized internal control procedures and implements an accounting system that ensures expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that expenses incurred under the grant are allowable, properly supported, and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.

JSG stated it has converted its in-house accounting system to Quickbooks, which reflects all transactions in detail and in accordance with grant requirements. JSG further stated that it maintains a chart of accounts that enables it to track expenses by grant budget categories, which allows JSG to monitor the budgets and facilitates timely and accurate reporting. However, JSG did not provide documentation that it has implemented these policies to ensure grant expenditures are allowable, properly supported and in compliance with all applicable laws, regulations, guidelines, and grant special conditions.

This recommendation can be closed when we receive evidence that JSG has formalized its internal control procedures in accordance with grant guidelines and are being followed by JSG management and personnel. This includes evidence that shows that the President of JSG's form of payment is compliant with the FAR, the President of JSG's compensation is within 110 percent of the SES maximum, time sheets are maintained by all employees, overhead charges have been made in compliance with the *OJP Financial Guide*, and bonuses are paid only after the *OJP Financial Guide* requirements are met.

3. **Remedy \$649,844 in questioned costs from Grant No. 2008-IP-BX-K001, and \$64,438 in questioned costs from Grant No. 2009-ST-B9-0101.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with JSG to remedy the \$649,844 in questioned costs associated with Grant No. 2008-IP-BX-K001, and the \$64,438 in questioned costs associated with Grant No. 2009-ST-B9-0101.

In its response, JSG stated that it did not agree with the \$714,282 in questioned costs. JSG believed it has provided documentation to support all but \$17,551 in questioned costs. JSG provided no explanation for how the \$17,551 was determined and what expenses comprise the amount. We have reviewed the documentation provided by JSG and it does not adequately support \$701,491 in grant expenses. For example, based on the support provided, a number of the consultants did not meet the contract requirements to receive payment. Also, as part of the FAR requirements, no invoice or billing was submitted by the consultants with detail regarding time expended and the nature of services provided. In addition to the unsupported transactions, JSG incurred \$445,843 in unallowable expenses. These costs were spent on items that are not appropriate uses of federal grant funds, such as the JSG President's salary and fringe benefits that exceeded amounts allowed by the grant; the reimbursement of tips by JSG

employees and consultants; alcohol purchased with grant funds; Recovery Act expenditures incurred prior to OJP budget clearance, indirect costs reimbursed without an approved indirect cost rate and that were not approved in the grant budget; and the non-compliance with OJP's 10 percent rule related to the movement of budgeted grant dollars. Based on our analysis, JSG incurred \$714,282 in questioned costs.

This recommendation can be closed when we receive evidence that the \$714,282 in questioned costs has been appropriately remedied.

4. **Ensure that JSG implements policies to ensure future compliance with budgetary requirements.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure future compliance with budgetary requirements.

JSG's response referred to the previously mentioned policies and procedures from Recommendation #1 that have been implemented. However, JSG did not provide evidence of adequate policies it has implemented that will ensure future compliance with budget requirements.

This recommendation can be closed when we receive evidence of the new policies and procedures related to budgetary requirements, including the chart of accounts tracking system.

5. **Ensure that JSG develops formal policies and procedures to ensure that property records and inventory lists are maintained for each grant to accurately reflect the equipment and property purchased with federal funds and complies with all requirements detailed in the *OJP Financial Guide*.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that property records and inventory lists are maintained for each grant, which accurately reflect the equipment and property purchased with Federal funds; and JSG complies with requirements detailed in the *OJP Financial Guide*.

In its response, JSG explained it has have formal procedures in place to ensure property records and inventory lists are maintained for each grant to accurately reflect the supplies and or equipment purchased with federal funds in compliance with all requirements detailed in the *OJP Financial Guide*. All policies have been documented in a formal Employee Handbook. However, in its response, JSG did not provide evidence of adequate policies it has implemented to ensure it complies with the property and inventory requirements.

This recommendation can be closed when we receive a copy of policies and procedures developed and implemented.

- 6. Ensure that JSG develops formal written policies and procedures to ensure reports reflect actual expenditures and obligations as required by the *OJP Financial Guide* and Recovery Act reporting requirements.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that future Federal Financial Reports reflect actual expenditures and obligations, as required by the *OJP Financial Guide* and Recovery Act reporting requirements.

JSG stated it has fully integrated accounting system to record, allocate and monitor financial activity to ensure expenses are accurately reported. However, in its response, JSG did not provide adequate documentation to ensure it will adhere to the reporting requirements of DOJ grants.

This recommendation can be closed when we receive a copy of JSG policies and procedures to ensure that future Federal Financial Reports reflect actual expenditures and obligations.

- 7. Ensure that JSG develops policies and procedures to ensure that appropriate documentation is collected and maintained to support the performance measures listed in each Categorical Assistance Progress Report.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that adequate documentation is collected and maintained to support the performance measures listed in each semi-annual Categorical Assistance Progress Report.

JSG stated that, starting in April 2011, it developed a formal job task sheet for the individual responsible for this reporting. It further stated that appropriate documentation is collected and maintained on JSG's server, and also indicated that every report since the beginning of the grant was submitted accurately. However, JSG did not provide documentation of its new process implemented. Further, as noted in our report we requested documentation to support the progress reports, but JSG could not provide supporting documentation for those reports. As a result, we cannot verify its claim that the progress reports are accurate.

This recommendation can be closed when receive a copy of the job task sheet and a copy of JSG's policies and procedures.

8. **Remedy costs associated with the award Special Conditions non-compliance and ensure JSG implements policies that prevent future non-compliance.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures implemented to ensure the prevention of future non-compliance.

In its response, JSG stated that it both agreed with our recommendation and did not agree. JSG agreed to have in place policies to ensure compliance with grant terms and conditions. However, it did not explain what those policies were, nor provide any documentation of such policies. JSG disagreed with our determination that it was not compliant with the two special conditions placed on Grant No. 2009-ST-B9-0101 that restricted JSG's ability to obligate, expend, or draw down funds until GANs were issued for both special conditions. However, JSG has not provided documentation to support receiving approval prior to incurring expenses as required by the special conditions. Additionally, after speaking with BJA officials, it appears no such approval was given to JSG.

This recommendation can be closed when we receive policies that ensure JSG is in compliance with grant terms and conditions. This includes the policy that ensures no employee's compensation exceeds 110 percent of the SES maximum.

9. **Ensure that, as it relates to Special Condition No. 11 under Grant No. 2009-ST-B9-0101, JSG adequately complies with the requirement that all consultant contracts are competitively bid.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that future consultant contracts are competitively bid, and in compliance with the requirements of the *OJP Financial Guide*.

JSG stated that its formal Procurement Policies and Procedures explain that all contracts under this award should be competitively awarded unless circumstances preclude competition. JSG provided a listing of factors that may justify soliciting fewer than three consultants for the engagement of services, including having an established ongoing relationship with a consultant. JSG further stated that it is free to contract with team members or partners for services contemplated in the application without the need for the Competitive Proposal Requirements. Special Condition No. 11 for Grant No. 2009-ST-B9-0101 states that all contracts should be competitively bid. JSG has provided no justification as to why it is allowed to circumvent competition because a consultant is a JSG team member or partner or has a pre-existing relationship with JSG. According to the *OJP Financial Guide*, "all procurement transactions shall be conducted in a manner so as to provide maximum open and free, and fair competition." Contracting with current

team members or partners, in fact, appears to be a potential organizational conflict of interest and noncompetitive practice. Therefore, JSG does not appear to be in compliance with the special condition.

To close this recommendation, JSG should provide evidence to show that contracts awarded under the Recovery Act were competitively bid as well as a copy of policies and procedures developed and implemented to ensure that future consultant contracts are competitively bid, and in compliance with the requirements of the *OJP Financial Guide*.

10. **Ensure that JSG improves policies governing its monitoring of consultants to ensure financial and programmatic responsibilities are fulfilled and consultant payments are made after all requirements of the contract, *OJP Financial Guide*, and the FAR have been satisfied.**

Resolved. OJP concurred with our recommendation to ensure that JSG improves policies governing its monitoring of consultants to ensure financial and programmatic responsibilities are fulfilled and consultant payments are made after all requirements of the contract, *OJP Financial Guide*, and the FAR have been satisfied. OJP stated it will coordinate with JSG to obtain a copy of policies and procedures developed and implemented to ensure that consultants are adequately monitored.

JSG stated that invoices are reviewed by the JSG bookkeeper for accuracy and completeness and submitted to the President of JSG or authorized representative for written approval prior to being processed. It also stated that payments are made when required contract performance is satisfied. However, JSG has not provided documentation of its policies to address the recommendation.

This recommendation can be closed when JSG provides copies of policies and procedures regarding the review and payment process.