



**AUDIT OF THE OFFICE ON VIOLENCE AGAINST
WOMEN COOPERATIVE AGREEMENT ADMINISTERED
BY GIRLS EDUCATIONAL AND MENTORING SERVICES
NEW YORK, NEW YORK**

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

Audit Report GR-70-12-003
March 2012

**AUDIT OF THE OFFICE ON VIOLENCE AGAINST WOMEN
COOPERATIVE AGREEMENT ADMINISTERED BY
GIRLS EDUCATIONAL AND MENTORING SERVICES
NEW YORK, NEW YORK**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of the cooperative agreement for the Recovery Act Transitional Housing Assistance Program awarded by the Office on Violence Against Women (OVW) to Girls Educational and Mentoring Services (GEMS) under agreement number 2009-EH-S6-0029.¹ The total for this grant was \$499,864. The purpose of this grant was to provide transitional services primarily to commercially sexually exploited and/or domestically trafficked young women because of their participation in the commercial sex industry.

The objective of our audit was to determine whether expenditures claimed for costs under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed GEMS' program performance in meeting the grants' objectives and overall accomplishments.

We determined that GEMS was not in full compliance with all of the essential grant conditions we tested. We found material weaknesses in GEMS' grant expenditures and Recovery Act reporting. As a result of these conditions, we questioned \$154,239 in unsupported expenditures and provided a management improvement recommendation.

These items are discussed in further detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology appear in Appendix II.

We discussed the results of our audit with GEMS officials and have included their comments in the report, as applicable. Additionally, we requested a written response to our draft report from GEMS and OVW, and their responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of the actions necessary to close the recommendations can be found in Appendix V of this report.

¹ Cooperative agreements are used when the awarding agency expects to be substantially involved with the award's activities. We refer to the cooperative agreement in this report as a grant.

TABLE OF CONTENTS

INTRODUCTION	1
Office on Violence Against Women	1
American Recovery and Reinvestment Act	2
Recovery Act Transitional Housing Assistance Program	2
Girls Educational and Mentoring Services.....	3
Our Audit Approach	3
FINDINGS AND RECOMMENDATIONS	5
Internal Control Environment	5
Personnel and Fringe Benefit Expenditures.....	6
Other Grant Expenditures.....	9
Drawdowns	10
Budget Management and Control.....	10
Reporting.....	11
Compliance with Award Special Conditions.....	14
Program Performance and Accomplishments	15
Conclusions.....	16
Recommendations.....	16
APPENDIX I - SCHEDULE OF DOLLAR-RELATED FINDINGS	17
APPENDIX II - OBJECTIVES, SCOPE, AND METHODOLOGY	18
APPENDIX III – GIRLS EDUCATIONAL AND MENTORING SERVICES RESPONSE TO THE DRAFT AUDIT REPORT	20
APPENDIX IV – OFFICE ON VIOLENCE AGAINST WOMEN RESPONSE TO THE DRAFT AUDIT REPORT	24
APPENDIX V – OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	26

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of cooperative agreement number 2009-EH-S6-0029 awarded by the Office on Violence Against Women (OVW). OVW made the award under its Recovery Act Transitional Housing Assistance Grant for Victims of Domestic Violence, Dating Violence, Stalking, and Sexual Assault to Girls Educational and Mentoring Services (GEMS).² This grant was awarded on August 6, 2009, in the amount of \$499,864 and is projected to end on July 31, 2012.

The Recovery Act Transitional Housing Assistance grant for Victims of Domestic Violence, Dating Violence, Stalking, and Sexual Assault provided GEMS with funds for transitional services primarily to commercially sexually exploited and/or domestically trafficked young women who experienced sexual assault, domestic violence, dating violence, and stalking as a result of their participation in the commercial sex industry.

The objective of our audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed GEMS program performance in meeting grant objectives and overall accomplishments.

Office on Violence Against Women

The Office on Violence Against Women (OVW), within the DOJ, provides primary management and oversight of the grant we audited. The OVW's stated mission is to provide national leadership in developing the nation's capacity to reduce violence against women through the implementation of the Violence Against Women Act (VAWA). The OVW administers financial and technical assistance to communities across the country that are developing programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. Currently, OVW administers 2 formula grant programs and 17 discretionary grant programs which were established under VAWA and subsequent legislation. By forging state, local, and tribal partnerships among police, prosecutors, victim advocates, health care providers, faith leaders, and others, OVW grant programs are intended to help provide victims with the protection and services they need to pursue safe and healthy lives, while

² Cooperative agreements are used when the awarding agency expects to be substantially involved with the award's activities. We refer to the cooperative agreement in this report as a grant.

simultaneously enabling communities to hold offenders accountable for their violence.

American Recovery and Reinvestment Act

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purposes of the Recovery Act are to: (1) preserve and create jobs and promote economic recovery; (2) assist those most impacted by the recession; (3) provide investments needed to increase economic efficiency by spurring technological advances in science and health; (4) invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits; and (5) stabilize state and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The OVW awarded funds under the Recovery Act to increase the availability of transitional housing and related support services for victims of domestic violence, dating violence, sexual assault, and stalking.

Recovery Act Internet Transitional Housing Assistance Grants for Victims of Domestic Violence, Dating Violence, Stalking and Sexual Assault Grants

The Transitional Housing Assistance Grants for Victims of Domestic Violence, Dating Violence, Stalking and Sexual Assault Grants were funded by the Recovery Act of 2009 (Public Law 111-5) and by 42 USC § 13975. The OVW Recovery Act Transitional Housing Assistance Grants for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault Program (Recovery Act Transitional Housing Assistance Program) focuses on a holistic, victim-centered approach to provide transitional housing services that move individuals into permanent housing. Grants support programs that provide assistance to victims of domestic violence, dating violence, sexual assault, and stalking who are in need of transitional housing, short-term housing assistance, and related support services. It is critical that successful transitional housing programs provide a wide range of flexible and optional services that reflect the differences and individual needs of victims and that allow victims to choose the course of action that is best for them. Transitional housing programs can meet the goals of the Recovery Act through employing victim advocates and other personnel to assist victims, renovating housing for victims, offering additional housing units, and increasing job opportunities for of victims through training, education, and other support services.

The purpose of this program was to provide assistance to individuals who are homeless or in need of transitional housing or other housing assistance as a result of fleeing a situation of domestic violence, dating violence, sexual assault, or stalking, and for whom emergency shelter services or other crisis intervention services are unavailable or insufficient. Grant 2009-EH-S6-0029 was funded under this program.

Girls Educational and Mentoring Services

Girls Educational and Mentoring Services' (GEMS) mission is to empower girls and young women, ages 12-21, who have experienced commercial sexual exploitation and domestic trafficking to exit the commercial sex industry and develop to their full potential. According to GEMS' website, the organization is committed to ending commercial sexual exploitation and domestic trafficking of children by changing individual lives, transforming public perception, and revolutionizing the systems and policies that impact sexually exploited youth. GEMS was formed in 1998 by a young woman who had been sexually exploited herself as a teenager and now serves as its Executive Director. GEMS described itself as one of the largest providers of services to commercially sexually-exploited and domestically trafficked youth in the U.S.

GEMS provides a variety of programs to approach the issue of sexual exploitation. These programs are: prevention and outreach, intervention, youth development, educational initiatives, transitional and supportive housing, court advocacy, alternative to incarceration program, and family court program. GEMS also provides training and technical assistance to organizations and institutions, which in turn provide their staff with the knowledge and tools to understand and address commercial sexual exploitation and domestic trafficking of children and youth. GEMS receives 50 percent of its operational funding from government grants (federal, state, and local) and 50 percent from private donations.

Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, we applied the Office of Justice Programs (OJP) Financial Guide as our primary criteria during our audit. The OJP Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of awards. Additionally, the OJP Financial Guide cites applicable Office of Management and Budget (OMB) and Code of

Federal Regulations (CFR) criteria that we also considered in performing our audit. We tested GEMS':

- **Internal control environment** to determine whether the financial and accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant.
- **Personnel and fringe benefit expenditures** to determine whether the personnel and fringe benefit expenditures charged to the grant were allowable, supported, accurate, and whether positions were within the approved grant budget.
- **Grant expenditures** to determine whether the costs charged to the grant were allowable and adequately supported.
- **Drawdowns** (requests for grant funding) to determine whether requests for reimbursement, or advances, were adequately supported, and if GEMS managed grant receipts in accordance with federal requirements.
- **Budget management and control** to determine whether GEMS adhered to the OVW-approved award budgets for the expenditure of grant funds.
- **Reporting** to determine whether the required periodic Federal Financial Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflected grant activity.
- **Compliance with award special conditions** to determine whether GEMS complied with all of the terms and conditions specified in the individual grant award documents.
- **Program performance and accomplishments** to determine whether GEMS achieved grant objectives, and to assess performance and grant accomplishments.

Where applicable, we also tested for compliance in the areas of indirect costs, matching funds, accountable property, program income, monitoring of contractors, and monitoring of subgrantees. For this grant, we determined that GEMS charged no indirect costs, matching funds were not required, there was no accountable property, the grant-funded programs generated no program income, and there were no contractors or subgrantees.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

We determined that GEMS was not in full compliance with all of the essential grant requirements in the areas we tested for this award. We found internal control weaknesses in the following areas: (1) personnel and fringe benefit expenditures, (2) grant expenditures, and (3) Recovery Act reporting. As a result of these weaknesses, we questioned \$154,239 in unsupported expenditures. These conditions, including the underlying causes and potential effects on the OVW program, are further discussed in the body of this report.

Internal Control Environment

GEMS had an internal control system in place to safeguard funds and assure they are used solely for authorized purposes. However, our review of internal controls specific to the areas we examined disclosed some instances where the established internal control system was not always operating as intended.

We began this audit by reviewing GEMS' accounting and financial management system to assess the organization's risk of noncompliance with laws, regulations, guidelines, and the terms and conditions of the grant. We also interviewed management staff from the organization, performed transaction testing, and reviewed financial and performance reporting activities to further assess the risk.

According to the OJP Financial Guide, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost and property controls to ensure optimal use of funds. Award recipients must adequately safeguard funds and assure they are used solely for authorized purposes.

While our audit did not assess GEMS' overall system of internal controls, we did review the internal controls of GEMS' financial management system specific to the administration of DOJ funds during the periods under review. Specifically, we determined that while GEMS had written internal control procedures to govern the use of federal funds, it did not ensure that controls in place were working as intended. Specifically, GEMS did not establish an adequate methodology to allocate personnel and fringe benefit

expenditures and failed to maintain adequate supporting documentation for some non-personnel grant expenditures. From our review and testing, we concluded that this condition contributed to noncompliance with some grant requirements. The internal control deficiencies that we identified are discussed in detail later in this report. The absence of an adequate and effectively functioning internal control environment places award funds at risk and undermines the ability of the recipient to ensure that federal funds are being adequately safeguarded and spent accurately and properly in accordance with the grant objectives. In our opinion, GEMS management should correct the internal control deficiencies we identified.

Personnel and Fringe Benefit Expenditures

In general, GEMS correctly ensured that the gross payroll amounts from the timesheets we tested were in accordance with the approved budget. In addition, we determined that, excluding the Executive Director, the remaining GEMS staff members' timesheets that we tested had sufficient evidence of supervisory approval. We also found that the personnel and fringe benefit charges we tested from the accounting system were within the amounts approved by OVW in the grant budget. However, GEMS did not have an adequate process in place to document the allocation of each staff member's actual activity charged to the grant. As a result, we could not determine if the personnel and fringe benefit expenditures charged to the grant were properly allocated to the grant. Consequently, we questioned \$119,907 in personnel expenditures and \$32,973 in fringe benefits as unsupported.

2 C.F.R. § 230, formerly known as OMB Circular A-122, requires that personnel charges to awards be supported by personnel activity reports. Specifically, the guidance states that charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The guidance goes on to say that the distribution of salaries and wages to awards must be supported by personnel activity reports.

Moreover, the CFR requires that the personnel activity reports should account for an employee's total activity and the portion of the activity charged to the award. Additionally, the reports should: reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity of each employee, be prepared at least monthly, coincide with one or more pay periods, and be signed by the employee. These reports should also be reviewed and approved on a regular basis by a supervisory official having first-hand knowledge of the work performed. The approving official

could document the review and approval by signing or initialing each employee's time and/or effort report.

GEMS officials provided us with a list of personnel and fringe benefit expenditures totaling \$152,880 for this grant as of March 31, 2011. We tested a judgmental sample of personnel and fringe benefit expenditures during two non-consecutive pay periods. We tested a total of \$4,029 in personnel expenditures and \$1,811 in fringe benefit expenditures for two employees.

We tested a sample of expenditures to determine if personnel and fringe benefit expenditures were charged correctly in accordance with the budget, properly authorized, accurately recorded, and properly allocated in GEMS' accounting system. To determine if the personnel expenditures were charged correctly, we compared the gross amount from the payroll register to the budget-approved salary per pay period. To determine if personnel expenditures were properly authorized, we reviewed grant funded staff member timesheets for evidence of supervisory approval. To determine if the personnel expenditures were properly recorded, we verified that amounts from GEMS' accounting system matched the grant budgeted amounts. To determine if personnel expenditures were properly allocated, we reviewed the staff members' timesheets and GEMS allocation spreadsheet. To determine if fringe benefits were correctly computed, we recalculated the fringe benefit expenditures for each of the pay periods we tested by multiplying the amount allocated to the grants for each staff member by the approved budgeted percentage. To determine if fringe benefits were consistent amongst staff members, we compared the amounts charged for each staff member. Finally, to determine if fringe benefits were properly charged to the grant, we compared the approved budget for fringe benefits to the amounts charged in GEMS' accounting system.

From our testing we determined that personnel and fringe benefit expenditures were charged correctly in accordance with the grant budget, and the expenditure amounts tested from the accounting system also matched the grant budget. However, we were unable to determine if all of the personnel expenditures we tested were properly allocated. GEMS, in its approved grant budget, was specific about the percentage of staff time to be spent on grant-specific tasks. GEMS used timesheets to document time worked per pay period for all staff. GEMS officials told us that the original timesheet was most likely modeled after a generic non-profit timesheet and GEMS did not understand the importance of using the program column to

allocate time spent on grant-specific activities.³ Consequently, the GEMS' Fiscal Manual we were told did not require staff to fill-in the program column as part of the payroll process. According to a GEMS official, during a 2009 Recovery Act training, GEMS learned that the program column on its timesheet was insufficient to properly allocate staff time because there were more than one funding source for the activities being performed.⁴

GEMS also maintained an allocation spreadsheet to document the effort/time spent on grant related activities. An allocation spreadsheet can be used as a substitute for an activity report if it met all the requirements outlined in the OJP Financial Guide. GEMS used the allocation spreadsheet to ensure that it remained within the approved budgeted percentage of time for each staff member for a particular grant. However, the allocation spreadsheet did not show actual activity worked in a given time period for a specific grant as required by the OJP Financial Guide. According to a GEMS official, GEMS paid close attention to the percentages being charged to the grant on a larger scale; making sure it does not exceed the approved budgeted percentages for each staff member at year/project end. In addition, GEMS conducted quarterly meetings with Program Directors and other staff to review the allocation spreadsheet to ensure that allocations properly represent the work performed by each staff member and are consistent with the approved budget.

We reviewed GEMS allocation spreadsheet and found it inadequate to support the allocation of personnel costs charged to the grant because it did not meet certain criteria listed in the OJP Financial Guide. Specifically, the allocation spreadsheet was not based on actual activities performed by the staff, instead it was based on budgeted percentages, it was prepared quarterly, not at least monthly, it was not signed by the employee, and there was no evidence that it was reviewed or approved by a supervisory official.

In May 2011, GEMS told us that it was in the process of implementing an online allocated timesheet system as part of the current payroll system. GEMS expected the online allocated timesheet system to replace its paper timesheets over the summer of 2011. GEMS told us that the new allocated

³ In its response, GEMS stated that this statement from its official was never meant to imply that GEMS does not understand the importance of allocating time towards specific programs and their corresponding sources of funding. GEMS further explained that the comment was meant to explain that GEMS did not feel the program column fit the purpose it needed to serve in order to be in compliance.

⁴ In its response, GEMS stated that the program column was never designed to allocate staff time and effort to specific contracts.

timesheet will require staff to enter the hours worked on a particular project daily then calculate the percentage of time spent on a particular project. In addition, the new automated timesheet was expected to be prepared bi-weekly and signed by the staff member and supervisory officials. We did not test the new automated timesheet system because it was not fully implemented at the time of our field work. However, based on what we were able to observe about the new system, it appears that the new timesheet may meet the requirements of an activity report as outlined in the OJP Financial Guide provided the system is fully implemented and works as intended.

Our audit identified questioned costs of \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit expenditures as of March 31, 2011. Because the calculation of fringe benefit expenditures are based directly on personnel expenditures as either a percentage or fixed amount for each staff member based on time spent working on the grant, we determined fringe benefit expenditures were not adequately supported.

Other Grant Expenditures

In general, we found that GEMS properly recorded in the accounting records the non-personnel and non-fringe grant expenditures we tested. Specifically, we selected 27 non-personnel and non-fringe benefit expenditure transactions totaling \$18,259 for detailed review and analysis from the grant. To determine if other grant expenditures were properly recorded, we verified that amounts from GEMS' accounting system matched the budgeted amounts. To determine if expenditures were allowable, we compared the expenditures to the award budget, permissible uses of funds outlined in the OJP Financial Guide, and the terms and conditions of the awards. To determine if expenditures were supported, we reviewed purchase documents, invoices, and accompanying accounting system data.

GEMS created separate cost centers within their accounting system to segregate and specifically track grant expenditures. GEMS officials provided us with a transaction list of grant-funded non-personnel and non-fringe benefit expenditures totaling \$47,649. The primary transactions included expenditures for rent, travel, and other expenditures.⁵ We tested a judgmental sample of 27 invoices totaling \$18,259, or 38 percent of non-personnel and non-fringe benefit funds expended as of November 2010.

⁵ Other expenditures consist of furniture, supplies, and utilities.

After sampling 27 transactions, we found no evidence of unallowable expenditures; however, we identified unsupported expenditures of \$1,359. These unsupported expenditures included costs associated with travel and program supplies. In our view, when expenditures are unsupported it could increase the risk of fraud, waste, and abuse of federal funds. GEMS has since begun to scan all supporting documentation and cancelled checks to ensure that both electronic and hard copies are kept for future reference.

Drawdowns

We found GEMS' drawdown process to be adequate in minimizing the time lapse between the drawdown of funds and disbursement of those funds. As of May 16, 2011, GEMS had drawn down \$247,920 of the original award amount of \$499,864.

The OJP Financial Guide establishes methods by which the DOJ makes payments to grantees. According to the Guide, grant recipients should request funds based on immediate disbursement/reimbursement requirements. It also states that recipients should time their drawdown requests to ensure federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days. Nonprofit organizations shall account for interest earned on federal funds and may keep up to \$250 per federal fiscal year.

To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed grant officials, analyzed bank statements, and reviewed documentation in support of actual expenditures. We determined that grant funds were requested on a reimbursement basis. In addition, we determined that drawdowns were requested based on actual expenditures and did not exceed grant expenditures. As a result, we found that GEMS' drawdown procedures were adequate and complied with grant requirements.

Budget Management and Control

The OJP Financial Guide addresses budget controls surrounding grantee financial management systems. According to the Financial Guide, grantees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, the movement of funds between approved budget categories in excess of 10 percent of the total award must be approved in advance by the awarding agency. In addition, the Financial Guide requires that all grantees establish and maintain an adequate system for accounting and internal controls.

According to a GEMS official, GEMS reviewed expenditures during monthly reconciliations to ensure that expenditures stayed within the approved budget for the award. In addition, GEMS retained copies of OMB Circulars, OJP fiscal training documents, and created internal documents outlining federal fiscal requirements to ensure compliance with the budget management requirements. A GEMS official said packets were created explaining special requirements, due dates, and other important information pertaining to each DOJ grant and these packets were distributed to staff.

We compared the total expenditures by budget category from the GEMS accounting system to the budget categories established by OVW's final budget revision. While this grant was still in progress at the time of our audit, GEMS remained within the approved allowance. Based on the documentation we reviewed, it appears GEMS monitored its grant expenditures and submitted budget modifications and Grant Adjustment Notices (GANs). For this grant, we also found evidence of an ongoing budget versus actual expenditure comparison.

Reporting

Federal Financial Reports

The financial aspects of OVW grants are monitored through Federal Financial Reports (FFRs).⁶ According to the OJP Financial Guide, FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period. Even for periods when there have been no program outlays, a report to that effect must be submitted. Funds or future awards may be withheld if reports are not submitted or are excessively late.

For this award, GEMS officials told us they completed the FFRs using their quarterly expense reports. We tested the four most recent FFRs for this grant by comparing the expenditures reported on the FFRs to GEMS' quarterly expense reports and concluded that each of the four reports were accurate.

We also tested each FFR for timeliness using the criteria noted above and found GEMS submitted three of its four FFRs within the time period specified by OJP. We found one report was submitted two days late, but we considered this lateness immaterial. Because each of the FFR's we tested

⁶ Effective for the quarter beginning October 1, 2009, grant recipients must report expenditures online using the Federal Financial Report (FFR-425) Form no later than 30 days after the end of each calendar quarter. The final report must be submitted no later than 90 days following the end of the grant period. These reports are no longer called Financial Status Reports.

was accurate and submitted in a timely manner, we concluded GEMS met OJP's financial reporting standards.

Progress Reports

Progress reports provide information relevant to the performance of an award-funded program and the accomplishment of objectives as set forth in the approved award application. According to the OJP Financial Guide, these reports must be submitted twice yearly, within 30 days after the end of the reporting periods of June 30 and December 31, for the life of the award.

At the time of our audit, GEMS was required to submit three progress reports. We tested the timeliness of all three progress reports and determined that one of the three progress reports was submitted on time. Two of the three progress reports were submitted one day late because the due date fell on a weekend. Because the two late reports were submitted only one day late, we did not consider the lateness to be material.

To measure the accuracy and completeness of the progress reports, we tested two reports to determine if the reports contained statistical data, included accomplishments related to the program's objectives, and accurately reported the data. We found the two progress reports we reviewed accurately described work accomplished to meet the program's objectives.

Recovery Act Reports

In addition to the normal reporting requirements, grantees receiving Recovery Act funding must submit quarterly reports which require both financial and programmatic data. Reports are due within 10 calendar days after the end of each calendar quarter, beginning with the July to September 2009 reporting period. As of October 10, 2009, these reports must also include the cumulative activities and projects funded since the enactment of the Recovery Act, or February 17, 2009. Recipients that received recovery funds from a federal agency are required to submit these reports to that agency, which should contain the following information:

- the total amount of recovery funds received from that agency;
- the amount of recovery funds received that were expended or obligated to projects or activities; and
- a detailed list of all projects or activities for which recovery funds were expended or obligated, including: the name of the project or activity,

a description of the project or activity, an evaluation of the completion status of the project or activity, an estimate of the number of jobs created and the number of jobs retained by the project or activity, and detailed information on any subcontracts or subgrants awarded by the recipient.

GEMS submitted quarterly Recovery Act reports on time with all of the required information. We reviewed the submitted Recovery Act Reports for both accuracy and timeliness. Between July 2009 and September 2010, GEMS was required to submit five Recovery Act Reports for this grant, and we found that GEMS submitted all of the reports on time.

According to the criteria listed above, GEMS was required to report the total amount of recovery funds received, the amount of recovery funds that were expended or obligated to this project, and a detailed list of all projects for which recovery funds were expended or obligated. No subgrantees were paid with Recovery Act funds. We determined that GEMS reported on all of the required information for the five quarters we reviewed.

We reviewed the accuracy of four quarters of Recovery Act Reports from October 2009 to September 2010. At the time we began our review, the report which covered October to December 2010 was not due until January 30, 2011. Therefore, we reviewed the four quarters before this period. We found that GEMS' accounting records included more expenditures than were reported as expended for the period on the Recovery Act Reports submitted to OVW. GEMS stated the reason for overage of expenditures was because it was waiting for OVW to approve a budget modification and it wanted to ensure it did not include unallowable expenditures on these reports. Because GEMS did not report an excess of expenditures on these reports, we take no issue with this.

However, we found full time equivalent (FTE) calculation errors in three of the four Recovery Act Reports GEMS submitted to OVW. As stated above, an estimate of the number of jobs created and the number of jobs retained by the project or activity is required to be reported in these reports. According to OJP's website, the DOJ has developed various guidance documents and tools to assist Recovery Act recipients in meeting their reporting requirements. One of these tools is the "jobs calculator".⁷ We used the jobs calculator to verify the information GEMS reported to the OVW. After inputting the information into the jobs calculator, we found

⁷ The jobs calculator is a template recipients can use to obtain an FTE calculation. The jobs calculator is a suggested method for calculating the number of created and retained jobs.

differences in the FTEs GEMS reported in three of the four reports to the OVW. The following table shows the differences found.

OVW Grant 2009-EH-S6-0029

FTE Comparison Report Periods	Jobs Created per Quarterly Reports	OIG FTE Calculation	(Over)/Under Reported
October-December 2009	0.88	0.88	0.00
January-March 2010	2.00	1.10	(0.90)
April-June 2010	2.00	1.10	(0.90)
July-September 2010	2.00	1.10	(0.90)

Source: GEMS accounting records and OIG analysis

GEMS agreed that the information reported was not accurate in the above mentioned instances because it was reporting each position as one full FTE, even though only partially funded. As of April 2011, GEMS had made OVW aware of the errors and was awaiting guidance from OVW on how to handle the issue. Since Recovery Act activity is available to the public and Congress, significant reporting errors can skew the resulting effect of the Recovery Act on the Nation’s economic recovery.

As mentioned earlier in this report, we were unable to determine if personnel expenditures were properly allocated to the grants. Absent an adequate allocation methodology, we could not certify that the GEMS personnel reported in the Recovery Act reports actually worked on Recovery Act grant-related activities. However, GEMS has plans to institute a new allocated timesheet system which would calculate the percentage of time spent on a particular project. GEMS officials said it will begin implementation of this system in the summer of 2011. In our opinion, the new allocated timesheet may reflect the time a staff member spends on grant-related activities provided the system is fully implemented and works as intended.

Compliance with Award Special Conditions

Award special conditions are included in the terms and conditions for each award and are provided in the accompanying award documentation. The special conditions may also include special provisions unique to the award. We reviewed the special conditions found in the award documents and the accompanying adjustment notices and found that GEMS did not fully comply with a special condition specific to Recovery Act reporting requirements. This special condition was associated with the calculation of FTEs for reporting jobs created with Recovery Act grant funding. The details

of these exceptions are discussed under the Reporting section of this report. We found noncompliance with this special condition for this Recovery Act grant.

Program Performance and Accomplishments

According to the program narrative, the goal of this grant was to provide transitional services primarily to commercially sexually exploited and/or domestically trafficked young women who have experienced sexual assault, domestic violence, dating violence and stalking as a result of their participation in the commercial sex industry, while preserving and creating jobs for economic recovery.

GEMS measured progress towards achieving these goals and objectives through its case management system. This system is used to support case management and timely program reporting. It was also used to track the young women who graduated from school, currently in school, seeking employment, or are in a healthy relationship attained through financial literacy and support groups.

As of December 2010, GEMS stated it had served six victims/survivors and two children. We verified that GEMS served these victims/survivors by reviewing case notes and case management information. In addition, GEMS stated they have created two jobs: a program director and a support services coordinator.

Although our assessment of performance and accomplishments is limited to the data we reviewed, we concluded that GEMS collected appropriate data, analyzed the data, and provided us with evidence demonstrating that GEMS is on track to achieving the goals and objectives by the end of the grant period in July 2012.

Program Sustainability

In its program narrative, GEMS stated it receives ongoing general operating support from 10 private foundations, which will sustain the supplemental support services including counseling and case management that young women in the OVW Transitional Housing Program will receive. GEMS stated support from these and other foundations in the future will be applied to the Transitional Housing Program once federal funds are no longer available. GEMS also believes that the pre-existing partnerships between GEMS and its collaborating partners on behalf of this population are evidence of a widespread commitment to these services, and will ensure that these services continue after the life of the grant.

We are reporting on what GEMS told the audit team and made no assessment on program sustainability. However, from our collective audit work, we believe the absence of OVW grant funding could potentially disrupt and impair the ability of GEMS to furnish ongoing transitional services to commercially sexually exploited and domestically trafficked young women.

Conclusions

GEMS did not fully comply with all of the grant award requirements we tested. We found internal control weaknesses in GEMS' grant expenditures, and Recovery Act reporting.

We found that GEMS charged \$154,239 to the award for grant expenditures that were unsupported. We also found significant reporting errors in the calculation of FTEs submitted on the Recovery Act reports.

Recommendations

We recommend that OVW:

1. Remedy \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit charges.
2. Remedy \$1,359 in unsupported non-personnel and non-fringe benefit grant expenditures.
3. Ensure GEMS has implemented and adheres to procedures that will result in the accurate submission of Recovery Act reports.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	AMOUNT	PAGE
Unsupported Expenditures – personnel	\$ 119,907	6
Unsupported Expenditures – fringe benefits	\$ 32,973	6
Unsupported Expenditures – non-personnel and non-fringe benefits	\$ 1,359	10
TOTAL OF QUESTIONED COSTS:	\$ 154,239	
TOTAL DOLLAR-RELATED FINDINGS:	\$ 154,239	

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.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether reimbursements claimed for costs under grant 2009-EH-S6-0029 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed grantee program performance in meeting grant objectives and overall accomplishments. The objective of our audit was to review activities in the following areas: (1) internal control environment, (2) personnel and fringe benefit expenditures, (3) non-personnel and non-fringe benefit grant expenditures, (4) drawdowns, (5) budget management and control, (6) reporting, (7) compliance with grant requirements, and (8) program performance and accomplishments. We determined that program income, matching costs, indirect costs, accountable property, and the monitoring of subgrantees and contractors were not applicable to this grant.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

In conducting our audit, we performed sample testing in five areas: personnel and fringe benefit expenditures, non-personnel and non-fringe benefit grant expenditures, Federal Financial Reports, Progress Reports, and Recovery Act Reports. 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. This non-statistical sample design did not allow projection of the test results to the universes from which the samples were selected.

We audited the Office on Violence Against Women Grant 2009-EH-S6-0029. The grantee had a total of \$247,920 in requests for grant funding for this grant through May 2011. Our audit concentrated on, but was not limited to, the award of the original grant in August 2009, through May 2011.

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

In addition, reviewed the timeliness and accuracy of Federal Financial Reports, Progress Reports, and Recovery Act Reports; and evaluated performance to grant objectives. However, we did not test the reliability of the financial management system as a whole and reliance on computer based data was not significant to our objective.

GIRLS EDUCATIONAL AND MENTORING SERVICES
RESPONSE TO THE DRAFT AUDIT REPORT



September 15, 2011

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street, Suite 201
Philadelphia, PA 19106

Response to: *Draft Audit Report, Audit of the Office on Violence Against Women Cooperative Agreement Administered by Girls Educational and Mentoring Services New York, New York*

Dear Mr. Puerzer,

As of August 25, 2011, Girls Educational and Mentoring Services (GEMS) has been in receipt of your office's draft audit report cited above. Having carefully reviewed the contents of the report, we are issuing the following responses to your recommendations on a recommendation by recommendation basis:

Remedy Recommendation 1: The Office of the Inspector General (OIG) recommends the following: *Remedy \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit charges.*

GEMS' Response to Recommendation 1: GEMS is in non-concurrence with this recommendation, as we do not agree with the reasons the OIG has given for this recommendation. In order to best justify our non-concurrence, we would like to refer to each of the reasons given within the draft audit report separately:

On page 7 of the draft report, the OIG noted that "*GEMS generally correctly computed, properly authorized, and accurately recorded personnel expenditures and accompanying fringe benefits charged to this grant.*" GEMS appreciates that the OIG has noted the accuracy and compliancy of its policies and procedures for recording personnel expenditures, especially since the organization has taken great care in developing and implementing a system that is in compliance with documented federal fiscal requirements. GEMS believes it is contradictory for the OIG to question all personnel and fringe expenditures charged to this grant when it agrees that GEMS' system for recording these expenditures is "generally correct."

On the same page, the OIG seemingly goes against its previous statement by attesting that "*GEMS did not have an adequate process in place to document the allocation of each staff member's actual activity charged to the grant.*" The OIG backs up this opinion by citing 2 C.F.R. § 230, which "*requires that personnel charges to awards be supported by personnel activity reports.*" During the audit, GEMS was not asked to show proof of personnel activity reports, but rather allocated timesheets documenting the percentage of time each staff

2780 West 149th Street
New York, NY 10019
212 726 8087 fax
212 726 7764 fax
www.gems-gms.org



member allocated to specified contracts on a daily basis. Upon having been made aware of this requirement while at an OVW Fiscal Conference 2009, GEMS began an extremely time-consuming and difficult process of trying to create and implement an allocated timesheet system that accurately accounted for the organization's many different programs funding sources. This process involved extensive research, attending trainings and discussions with other public organizations, including a conference call with the Office of the Chief Financial Officer. Not once during this process was GEMS able to obtain clear and consistent expectations that would assist in creating a timesheet that would fit its needs. Nevertheless, at the time of the audit, GEMS had managed to reach the final stages of implementing its own allocated timesheet system. This system was, as explained in the draft audit report, reviewed with the OIG auditors. What GEMS did not know, however, was that the OIG would have accepted personnel activity reports as described by the CFR in place of these timesheets. Having not been made aware of this during either the OVW training in 2009 or the audit itself, the organization was not in a position to present these materials, which would have otherwise been made available.

On page 9 of the draft audit report, the OIG details GEMS' allocation spreadsheet, which was used by the organization to chart the actual average time and effort each staff member was putting towards each program and funding source. The OIG claims that the allocation spreadsheet was inadequate for supporting the allocation of personnel costs because it "...was not based on actual activities performed by the staff, instead it was based on budgeted percentages..." This statement is not true. In fact, the reverse is true, as was explained several times to the auditors while they were both on and off-site: The allocations within GEMS' allocation spreadsheet have always been based on actual activities performed by staff. *It is then* that salary allocations are assigned to contracts according to the actual percentages calculated—not the other way around. We at GEMS feel that perhaps there was a misunderstanding during the communication of this fact. We are attaching to this response email correspondence between our staff and the OIG that was used to, at the OIG's request, further clarify the process described above in the days following the audit.

GEMS would like to point out another misunderstanding cited on page 12 of the draft audit report. It is here that the report states, "*The official GEMS timesheet had a program column that staff members could use to allocate time spent on grant-specific activities. GEMS officials told us that the original timesheet was most likely modeled after a generic non-profit timesheet and it did not understand the importance of using the program column.*" The comment from GEMS officials mentioned in this quote has been misinterpreted. It was never meant to imply that GEMS does not understand the importance of allocating time towards specific programs and their corresponding sources of funding. If this were the case, GEMS would not take the care it does to accurately allocate staff time and effort across departments, programs, and funding sources, nor would it make sure to maintain separate fiscal accounts for each of its federal contracts. The comment cited above was meant to explain that GEMS did not feel the program column fit the purpose it needed to serve in order to be in compliance: The program column included in GEMS' original timesheets was never designed to allocate staff time and effort to specific contracts, but rather to specific programs, each of which were maintained by several different funding sources. Because programs at GEMS cannot be matched exclusively to any single source of funding, the program column could not have been used to accurately "*allocate time spent on grant-specific activities*" as was suggested in the draft audit report.

Grant Evaluation & Monitoring Solutions
212 926 8089
www.gemsgrants.org

2788 West 14th Street
New York, NY 10019
212 926 8089
212 926 7984 fax
www.gemsgrants.org



In conclusion, GEMS does not feel that the arguments that have been set forth in favor of this recommendation are based on accurate observations. In concurrence with the OIG's statement that GEMS' processes for allocating personnel and fringe expenditures are "*generally correct*," GEMS does in fact have the ability to produce personnel activity statements, does follow a policy in which personnel allocations are based on actual activities, and does understand the importance of allocating time towards grant-specific activities. That said, GEMS recognizes that the OIG's opinions surrounding this finding were based upon an honest, detailed review of GEMS' infrastructure that was solely conducted for the purpose of upholding federal fiscal regulations. The finding has reaffirmed for GEMS the importance of documenting staff time and effort according to separate funding sources, and GEMS will continue to enforce its allocated timesheet system while also conducting and documenting monthly personnel activity reports as described by 2 C.F.R. § 230. GEMS looks forward to receiving additional assistance from the OIG and/or OVW in ensuring that its new system meets all federal requirements.

Remedy Recommendation 2: Office of the Inspector General (OIG) recommends the following: *Remedy \$1,359 in unsupported non-personnel and fringe benefit grant expenditures.*

GEMS' Response to Recommendation 2: GEMS is in non-concurrence with this finding because, with the exception of \$8.71, the organization has always had supporting documentation for these questioned costs on file. Because the \$1,359 in non-personnel and fringe benefit expenditures questioned was not detailed in the draft audit report, GEMS had to reach out to its OIG auditors to confirm that this total was made up of the following items:

- \$1,350 in Metro Cards for which there was, according to the OIG, a purchase request but no invoice
- Program supplies from Target supported by a receipt for \$287.65 but documented as being for \$296.36 via GEMS' fiscal software, resulting in a questioned difference of \$8.71

Upon receiving this breakdown from the auditors, GEMS pulled the invoice for the \$1,350 in Metro Cards and sent a scanned copy to the OIG. GEMS does not have any record of this expenditure being disputed during the audit. As for the \$8.71, GEMS would like to point out the diminutive nature of this cost. We feel that our ability to quickly pull documentation for all but \$8.71 of the expenditures selected for review speaks to GEMS' solid fiscal policies, procedures, abilities, and adherence to federal policies. However, in taking note of this small discrepancy, GEMS has made sure to pay closer attention to detail when cross-checking expense reports and their supporting documentation.

Remedy Recommendation 3: Office of the Inspector General (OIG) recommends the following: *Ensure GEMS has implemented and adheres to procedures that will result in the accurate submission of Recovery Act reports.*

GEMS' Response to Recommendation 5: GEMS is in non-concurrence with the OIG's recommendation for two reasons:

2908 West 149th Street
New York, NY 10039
212 926 8082 ext
212 926 7986 fax
www.gems-glfr.org

2908 West 149th Street
New York, NY 10039
212 926 8082 ext
212 926 7986 fax
www.gems-glfr.org



1. At the time of the audit, the errors in FTE calculations had already been discovered and addressed by GEMS staff. GEMS' OVW program officers were involved in correspondence surrounding the errors and how to prevent them in the future.
2. Chapter 16 of the ARRA Reporting User Guide states that "*under no circumstances can the FTE calculations on the past reports be changed.*" Therefore, alteration GEMS' reports containing inaccurate FTEs is currently impossible.

GEMS would like to point out that errors in FTE calculations were prominent among ARRA grantees, and that the FTE Calculator mentioned in the draft audit report was created as a method for amending widespread confusion surrounding how to calculate FTEs for this specific report. GEMS is grateful for the FTE Calculator, and now uses it to ensure the accuracy of its FTEs prior to 1512 report submission. Upon examining GEMS' more recent 1512 reports, the OIG will find that GEMS' FTE calculations have been consistently accurate.

GEMS thanks the OIG for the opportunity to respond to this draft audit report. We are available to answer any questions regarding our requests for reconsideration, and remain ready and willing to work with the OIG and OVW to ensure ongoing compliance with our federal contracts, for which we are consistently grateful.

Sincerely,

Rachel Lloyd
Founder and Executive Director

2780 West 129th Street
New York, NY 10039
212 926 8000 tel
212 926 2954 fax
www.gems-grants.org

OFFICE ON VIOLENCE AGAINST WOMEN
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office on Violence Against Women

Washington, D.C. 20530

October 27, 2011

MEMORANDUM

TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office

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

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

SUBJECT: Audit of the Office on Violence Against Women Cooperative Agreement
Administered by Girls Education and Mentoring Services (GEMS)
New York, New York

This memorandum is in response to your correspondence dated September 2011 transmitting the above draft audit report for GEMS. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **three** recommendations and \$154,239 in unsupported grant expenditures. The Office on Violence Against Women (OVW) is committed to working with the grantee to address each item and bring them to a close as quickly as possible. The following is an analysis of the audit recommendations:

1. Remedy \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit charges.

After review of the OIG Report referenced above and GEMS response to the report, OVW does feel that it is imperative that each grantee be responsible for keeping record of all personnel and fringe benefit charges against our funds. OVW will coordinate efforts with GEMS to remedy the \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit charges.

2. Remedy \$1,359 in unsupported non-personnel and fringe benefit grant expenditures.

After review of the OIG Report referenced above and GEMS response to the report, OVW does feel that it is imperative that each grantee be responsible for keeping record of all non-personnel and fringe benefit grant expenditures charged against our funds. OVW will coordinate efforts with GEMS to remedy the \$1,359 in unsupported non-personnel and fringe benefit grant expenditures.

3. Ensure GEMS has implemented and adheres to procedures that will result in the accurate submission of Recovery Act reports.

After review of the OIG Report referenced above and GEMS response to the report, OVW does feel that it is imperative that each grantee be responsible for submitting accurate reports, specifically Recovery Act reports. OVW will coordinate efforts with GEMS to ensure that they implement and adhere to procedures that will result in the accurate submission of Recovery Act reports.

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

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

Angela Wood
Budget Officer
Office on Violence Against Women

Sharon Elliott
Program Specialist
Office on Violence Against Women

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

The OIG provided a draft of this audit report to the Girls Educational and Mentoring Services (GEMS) and the Office on Violence Against Women (OVW) for review and comment. GEMS' response is included as Appendix III of this final report, and OVW's response is included as Appendix IV. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation Number

1. **Resolved.** OVW concurred with our recommendation to remedy the \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit charges for the grant. OVW said in its response that it would coordinate with GEMS to remedy the \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit expenditures for the grant.

In its response, GEMS disagreed with our recommendation. Specifically, GEMS stated that it is "contradictory for the OIG to question all personnel and fringe benefit expenditures charged to the grant when it agrees that GEMS' system for recording these expenditures is generally correct." In addition, GEMS stated that it was not made aware of the requirement for activity reports allocating appropriate amounts of personnel charges to multiple grants until a 2009 OJP Conference. GEMS further stated that, during the audit, it was not asked to provide personnel activity reports, but rather allocated timesheets. We considered these and related statements in GEMS' response and provide the following analysis and response.

While our draft report did not contain contradictory statements, our conclusions about GEMS' compliance with grant requirements may have been misinterpreted. On page 7 of the report, we detailed the personnel expenditure testing that we conducted and defined the context of the terms we used to describe GEMS' compliance or non-compliance. However, to ensure that the report clearly describes the areas of compliance and their differences with the areas of non-compliance, we made clarifications to the body of this report to eliminate conclusions of GEMS' compliance using defined terms. Instead, we provided detailed conclusions that thoroughly specify the scope and specificity of the statements identifying compliance with grant requirements.

Our draft and final audit report described the results of our testing and concluded that GEMS did not have an adequate process in place to document the allocation of each staff member's actual activity charged to the grant. As a result, we questioned \$119,907 in unsupported personnel expenditures and \$32,973 in unsupported fringe benefit charges for the grant. When GEMS accepted the awards, it certified that it agreed to fully comply with requirements for personnel expenditures charged to the grants, including personnel activity reports when salaries apply to the execution of two or more grant programs, cost activities, project periods, and/or overlapping periods. However, GEMS stated in its response that it was not aware of this requirement until a 2009 OJP Conference. If GEMS was not clear about its responsibilities under the grant agreement, GEMS officials could have obtained additional guidance and training from OVW sufficient to ensure that it was adhering to the grant requirements. GEMS' statement that it was unaware of the requirements until an OJP training conference in 2009 and until our audit was performed does not absolve GEMS of its responsibility to maintain documentation that supports the use of grant funding for personnel and fringe benefit expenditures in accordance with the terms and conditions of the grant award.

Further, GEMS also stated in its response that it was not asked to provide personnel activity reports, but rather timesheets documenting the percentage of time each staff member allocated to specific contracts on a daily basis. Multiple times during our field work and also at our exit conference, we requested from GEMS officials supporting documentation that showed the allocation of personnel and fringe benefit expenditures charged to the grants. In addition, on page 6 of the draft audit report, we referred to 2 C.F.R. Part 230 (formerly known as OMB-Circular A-122), that requires personnel charges be supported by personnel activity reports. However, GEMS did not provide these reports in its written response. During our audit, GEMS only provided timesheets and payroll registers and never mentioned that it had any other type of documentation that would potentially satisfy this requirement. In addition, GEMS' response inaccurately described our discussions regarding a new time tracking system. Specifically, the response states "this system, as explained in the report, was reviewed with the OIG auditors." While the OIG was made aware of this new allocated timesheet system and received a copy of what the timesheet would look like, we did not perform any review or testing of this system because it was not implemented at the time of our audit. Therefore, we cannot ensure it was ever implemented or, if implemented, working as intended.

In its response, GEMS also referred to page 8 of the audit report that discusses the allocation spreadsheet used. Specifically, our report states the spreadsheet “was not based on actual activities performed by the staff, instead it was based on budgeted percentages.” GEMS stated that this was incorrect, and that the allocations within GEMS’ allocation spreadsheet were always based on actual activities performed by its staff. During our audit field work, GEMS staff stated that, “once budgets are approved by the government, the fiscal consultant is given the current approved budgets and the percentages from there.” In addition, we requested from GEMS multiple times during our field work and at our exit conference supporting documentation that showed that the allocation of personnel and fringe benefit expenditures charged to the grants was based on actual work performed. GEMS did not provide us with any of the supporting documentation we requested during fieldwork or at the exit conference, or in its response to the draft report that would support its response to our audit report. The email correspondence that GEMS cited in its response provided GEMS’ explanation, but did not include any verifiable documentation that the amounts allocated were those actually worked by staff. For example, the hours worked according to the timesheets for each staff member could not be reconciled to the GEMS allocation spreadsheets.

GEMS response also referred to page 7 of the audit report which states, GEMS officials told us that the original timesheet was most likely modeled after a generic non-profit timesheet and GEMS did not understand the importance of using the program column.” GEMS said the OIG misinterpreted this information and that the comment from the GEMS official was not meant to imply that GEMS did not understand the importance of allocating time towards specific programs and the corresponding sources of funding. GEMS further stated in its response that the intention of its comment was to explain that it did not feel the program column fit the purpose it needed to serve in order to be in compliance. GEMS also stated in its response it takes care to accurately allocate staff time and maintain separate accounts for each of its fiscal contracts. It appears that GEMS has interpreted our quote of the statement as an implication that GEMS did not take its grant management responsibilities seriously. We included the statement to provide GEMS officials’ views with regard to the program column on the timesheet. We do not offer any further interpretation or analysis of GEMS’ intention for this statement. However, in an effort to provide a fair and balanced report, we added to the relevant section of this final report the subsequent clarification GEMS provided in its response.

Although GEMS' response stated it was aware that the program column on the timesheet in use was not adequate, during our audit GEMS was unable to provide any evidence of other measures or controls that were taken to ensure compliance with this particular grant award requirement under 2 C.F.R., Part 230 (formerly known as OMB-Circular A-122), that says personnel charges must be supported by personnel activity reports.

GEMS also said that the program column was never designed to allocate staff time and effort to specific grants, but rather to specific programs, each of which was maintained by several different funding sources. We modified this final report to clarify this point. Moreover, GEMS said that because its programs cannot be matched exclusively to any single source of funding, the program column could not have been used to accurately allocate time spent on grant-specific activities. While we recognize that GEMS' programs may be funded by several funding sources, including Department of Justice grants, grantees must be able to separate costs for each grant. Therefore, GEMS should have tracked personnel time and effort for each grant, particularly for those employees that work on several different grants. Because GEMS did not adhere to this requirement, we provided this recommendation to remedy the associated costs.

Finally, GEMS stated that the arguments set forth supporting this recommendation were based on inaccurate observations. However, as we discussed in the audit report and in this response, all of our conclusions are based on accurate and verifiable evidence. These costs were questioned because GEMS did not provide us with adequate personnel activity reports that contained the information required by the OJP financial guide. While GEMS stated in its response it had the ability to produce activity reports, we were not provided with any activity reports that adhered to the requirements of the OJP Financial Guide. None of the issues discussed in GEMS' response, or the documents provided during our audit, have resolved these questioned costs.

This recommendation can be closed when we receive evidence that OVW has appropriately remedied the \$119,907 in unsupported personnel expenditures and \$19,973 in unsupported fringe benefit charges.

2. **Closed.** OVW concurred with our recommendation to remedy the \$1,359 in unsupported non-personnel and fringe benefit grant expenditures.

In its response, GEMS disagreed with our recommendation and supported its position by saying that it has always had supporting documentation for these questioned costs on file, with the exception of \$8.71. During our

field work, we provided GEMS with a list of transactions that we found unsupported. During that time, GEMS provided us with additional support but the documentation for the Metro card transit expenditure was for the wrong period. In response to our draft report, GEMS provided us with adequate documentation to support the specific \$1,350 in Metro card charges for public transit. The remaining \$8.71 in unsupported expenditures is immaterial and, as a result, we consider this recommendation closed.

This recommendation is closed based on the \$1,350 in supporting documentation provided by GEMS, and our determination that the remaining unsupported grant expenditures were immaterial.

3. **Resolved.** OVW agreed with our recommendation to ensure GEMS implements and adheres to procedures that will result in the accurate submission of Recovery Act reports.

In its response, GEMS disagreed with our recommendation and supported its position by saying that at the time of the audit, the errors in the Full Time Equivalent (FTE) calculations had already been discovered and addressed by GEMS staff. GEMS also said that grant program officers were involved in correspondence surrounding the errors and how to prevent them in the future. During audit field work, we tested selected Recovery Act reports and could not recalculate the amount of FTEs GEMS reported on its quarterly Recovery Act reports for the second and third quarters of 2010 based on the information GEMS provided. We determined errors occurred and asked GEMS officials for a reason why. We were told it was because GEMS thought it should be reporting positions as FTEs, even though only portions of staff salaries were charged to the grant. GEMS did not notify OVW of these errors until we brought it to their attention in April 2011.

The second reason that GEMS disagreed with this recommendation was because Chapter 16 of the ARRA Reporting User Guide states that "under no circumstance can the FTE calculations on the past reports be changed." We are not prescribing that GEMS go back and change past reports, but that GEMS implement procedures that result in the accurate submission of Recovery Act Reports.

This recommendation can be closed when we receive documentation demonstrating that these procedures have been implemented.