



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



Audit of the Office of Justice Programs Adult and Juvenile Offender Re-Entry and Justice and Mental Health Collaboration Grants Awarded to Beaver County, Pennsylvania

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS ADULT AND JUVENILE OFFENDER RE-ENTRY AND JUSTICE AND MENTAL HEALTH COLLABORATION GRANTS AWARDED TO BEAVER COUNTY, PENNSYLVANIA

EXECUTIVE SUMMARY¹

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) grants, numbers 2011-CZ-BX-0049, 2012-RW-BX-0005, and 2012-MO-BX-0020, awarded to Beaver County, Pennsylvania (Beaver County). The total award for the three grants equaled \$3,300,000. The objectives of the grants included enhancing public safety by: (1) successfully transitioning individuals between prisons, jails, or juvenile detention facilities and the community, (2) increasing access to mental health and other treatment services for offenders with mental illness or co-occurring mental health and substance use disorders, and (3) improving the treatment options for adult offenders during periods of incarceration, parole, or court ordered supervision after release into the community.

The objective of our audit was to determine whether reimbursements claimed for costs under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also evaluated Beaver County's program performance in meeting award goals and objectives and overall accomplishments.

We determined Beaver County did not fully comply with the grant requirements we tested. Specifically, we reviewed compliance with essential grant conditions and found material weaknesses in the management of grant expenditures. For the three grants, we questioned \$96,393 due to unallowable and unsupported costs, including \$62,337 of consultant or contractor expenditures, \$18,604 in indirect costs, and \$6,839 in personnel and fringe benefits questioned as unallowable. Unsupported costs included \$3,589 in travel expenditures and \$5,024 in program matching requirements charged to the grants.²

In addition to the questioned costs, we identified management improvement findings related to internal controls associated with overall award financial management. These exceptions included grant funding that was not appropriately

¹ Redactions were made to the full version of this report for personal privacy reasons. The redactions are contained only in Appendix 3, the grantee's response, and are of individuals' identities.

² In its response to the draft audit report, Beaver County provided \$16,420 in supporting documentation to remedy questioned costs associated with travel expenditures, program matching services, and indirect costs. Total questioned costs have been reduced to \$79,973.

tracked and reconciled to verifiable supporting documentation, financial and program reporting that was inaccurate and unsupported, budget management and control tracking issues, and issues with the identification of contractor and consultant work. Specifically, we identified: (1) accounting records and supplementary recordkeeping systems did not always accurately track, reconcile, and report grant expenditures, (2) Federal Financial Reports (FFRs) were not always supported by accounting records, (3) grant performance and accomplishments were not accurately reported, (4) budget management and control processes did not conform to approved grant budgets, and (5) contractor and consultant work that was not specifically identified as such and misclassified in the accounting system records, not subject to competitive bidding, and not always in compliance with grant requirements.

These items are discussed in further detail in the Findings and Recommendations section of this report. The objective, scope, and methodology for this audit appear in Appendix 1.

We discussed the results of our audit with officials at Beaver County and have included their comments in the report, as applicable. In addition, we requested a response to our draft report from Beaver County and OJP and their responses are appended to this report as Appendix 3 and 4, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix 5 of this report.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS ADULT AND
JUVENILE OFFENDER RE-ENTRY AND JUSTICE AND MENTAL
HEALTH COLLABORATION GRANTS AWARDED TO
BEAVER COUNTY, PENNSYLVANIA**

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS ADULT AND JUVENILE OFFENDER RE-ENTRY AND JUSTICE AND MENTAL HEALTH COLLABORATION GRANTS AWARDED TO BEAVER COUNTY, PENNSYLVANIA

INTRODUCTION

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) awards related to adult and juvenile offender re-entry programs, grant numbers 2011-CZ-BX-0049 and 2012-RW-BX-0005, and justice and mental health collaboration programs, grant number 2012-MO-BX-0020, awarded to Beaver County (Beaver County), Pennsylvania. The objectives of the grants included enhancing public safety by: (1) transitioning individuals between prisons, jails, or juvenile detention facilities and the community, (2) increasing access to mental health and other treatment services for offenders with mental illness or co-occurring mental health and substance use disorders, and (3) improving the treatment options for adult offenders during periods of incarceration, parole, or court ordered supervision after release into the community.

As shown in the following table, OJP awarded the County a total of \$3,300,000 for the three grants.

Table 1
Office of Justice Programs Grants to Beaver County, Pennsylvania

Grant Award Number	Award Start Date	Award End Date	Amount
2011-CZ-BX-0049	10/1/2011	09/30/2015	\$ 2,450,000
2012-MO-BX-0020	10/1/2012	09/30/2015	250,000
2012-RW-BX-0005	10/1/2012	09/30/2015	600,000
Total			\$ 3,300,000

Source: OJP grant files

The objective of our audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also assessed Beaver County’s program performance in meeting the awards’ objectives and overall performance.

Office of Justice Programs

OJP, within the Department of Justice, provides primary management and oversight of the grants we audited. OJP works to assist federal, state, local, and tribal justice systems by disseminating state-of-the art knowledge and practices

across America, and providing grants for the implementation of these crime fighting strategies. Because most of the responsibility for crime control and prevention falls to law enforcement officers in states, cities, and neighborhoods, the federal government can be effective in these areas only to the extent that it can enter into partnerships with these officers. Therefore, OJP does not directly carry out law enforcement and justice activities. Instead, OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

Bureau of Justice Assistance

The Bureau of Justice Assistance, a component of OJP, provides assistance to local criminal justice programs to improve and reinforce the nation's criminal justice system. The Bureau's goals are to reduce and prevent crime, violence, and drug abuse, and to improve the way in which the criminal justice system functions.

Beaver County, Pennsylvania

Beaver County is located in southwestern Pennsylvania to the northwest of Pittsburgh. The county was once a center for the heavy steel industry but now has become a center for smaller manufacturing and service industries. It is a diverse area with pockets of affluence, as well as very poor districts, urban and rural areas, and varying economic resources. During the economic downturn the county's unemployment rose four percentage points over a two year period. The grants we audited were primarily administered by Beaver County's Behavioral Health and Development Services.³

Beaver County's Behavioral Health and Development Services' mission is to provide a seamless system of care that is accessible, continuously available and emphasizes health promotion, prevention, early intervention, resiliency and recovery.

Offender Program Funding

Beaver County received grant funding through the Second Chance Act of 2007 to establish both the ChancesR program – grant number 2011-CZ-BX-0049 and the Beaver County Re-Entry Addressing Co-Occurring Histories program (BC-Reach) – grant number 2012-RW-BX-0005. The county also received grant funding from the Mentally Ill Offender Treatment and Crime Reduction Act of 2004 to establish a Justice and Mental Health Collaboration Program called Project Intercept (Intercept) – grant number 2012-MO-BX-0020.

³ OJP awarded the grant to Beaver County and while the Behavioral Health and Development Services administered the grant, we will continue to refer to Beaver County when discussing grant administration.

ChancesR

Section 101 of the Second Chance Act authorized grants to local governments for demonstration projects that address the challenges posed by offender re-entry and to promote the safe and successful reintegration of the offender into the community. In their application for funding, Beaver County described the ChancesR program as focusing on offenders who were sentenced to the Beaver County Jail or were returning to Beaver County after serving a state or federal sentence. The application stated that these offenders often do not make decisions that will improve their chances of a successful transition and often lack the knowledge and skills to access available resources for adjustment to life after serving a prison sentence.

Beaver County Re-Entry Addressing Co-Occurring Histories

Section 201 of the Second Chance Act authorized grants to provide offenders with co-occurring substance abuse and mental health disorders with services to establish a plan that reflects the risk of recidivism for the offender. In its application for funding, Beaver County described its BC-Reach program that was intended to focus on offenders incarcerated in the Beaver County Jail who suffered from mental health and substance use disorders, as well as co-occurring mental health and substance use disorders. According to the application, these factors, along with the limited resources available to the offender outside of the jail, increased the risk of relapse and recidivism.

Project Intercept

The Mentally Ill Offender Treatment and Crime Reduction Act of 2004 established funding for the Justice and Mental Health Collaboration Program. In its application for funding through this program, Beaver County described Project Intercept as a program designed to foster cross-system collaboration between the behavioral health and criminal justice systems and provide early identification, diversion from incarceration, and improved access to behavioral health services for individuals with mental health or co-occurring disorders. The program intends to intercept such individuals at the earliest possible point to promote successful community integration and reduce recidivism.

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, we applied the OJP Financial Guide as our primary criteria during our audit. The OJP Financial Guide serves as a reference manual assisting grant recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of the grants. Additionally, the OJP Financial Guide cites applicable Office of Management and Budget and Code of Federal Regulations (CFR) criteria that we also considered in performing the audit. We tested Beaver County's:

- **Award Financial Management** to determine whether the financial accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants.
- **Grant expenditures** to determine whether costs charged were allowable and adequately supported.
- **Drawdowns** (requests for grant funding) to determine whether requests for reimbursements were adequately supported and if Beaver County managed grant receipts in accordance with federal requirements.
- **Program matching** requirements to determine whether matching funds were accurately calculated and supported.
- **Reporting** to determine if the required periodic Federal Financial Reports and Progress Reports accurately reflected grant activity.
- **Budget management and control** to determine whether Beaver County adhered to the OJP-approved budgets for the expenditure of grant funds.
- **Monitoring contractors and consultants** to determine whether Beaver County took appropriate steps to ensure that contractors and consultants met the fiscal and programmatic requirements of the grants.
- **Program performance and accomplishments** to determine whether Beaver County achieved grant objectives and to assess performance and grant accomplishments.
- **Compliance with other grant requirements** to determine whether Beaver County complied with select terms and conditions of the grants.

When applicable, we also test for compliance in the areas of program income and monitoring subrecipients. For these grants, we determined that Beaver County generated no program income and had no subrecipients.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

We determined that Beaver County was in material non-compliance with the essential grant requirements we tested. Specifically, we found: (1) grant expenditures that were unallowable because they were not in the approved budget or were not a permissible use of funds; (2) grant funding was not appropriately tracked and reconciled; (3) grant expenditures that were unsupported because of inadequate documentation; (4) program matching requirements that were unsupported; (5) weaknesses in grant reporting, including Federal Financial Reports and progress reports that were inaccurate and unsupported; (6) budget management and control processes that did not conform to the approved grant budgets; and (7) contractor and consultant expenditures that were unallowable because they did not meet the terms and conditions of the grants. As a result of these deficiencies, we questioned a total of \$96,393 of the funding received by Beaver County as of July 2014.⁴ In addition, we make 11 recommendations to address the areas needing management improvement. These conditions, including the underlying causes and potential effects on the OJP program, are further discussed in the body of this report.

Award Financial Management

Our audit included a review of the Beaver County's accounting and financial management system and Single Audit Reports to assess the risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grants. We also interviewed management staff, reviewed financial and performance reporting activities to further assess the risk, and performed personnel, fringe benefit, and other expenditure transaction testing.

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

Officials told us they believed an adequate system of internal controls was in place and working as intended. In conducting this audit, we evaluated the Beaver

⁴ In its response to the draft audit report, Beaver County provided \$16,420 in supporting documentation to remedy questioned costs associated with travel expenditures, program matching services, and indirect costs. Total questioned costs have been reduced to \$79,973.

County internal controls that we considered significant within the context of our audit objectives.

Accounting and Financial Management System

The OJP Financial Guide requires recipients to maintain records to adequately identify the source and application of grant funds provided for financially supported activities. These records must contain information pertaining to grants and authorizations, obligations, expenditures, and income.

We found Beaver County maintained the official grant accounting records in separate grant specific accounts and assigned separate cost center coding by grant. To ensure grant expenditures matched the approved budget categories, Beaver County officials prepared a series of spreadsheets to supplement the accounting records. Officials used the spreadsheets to determine the total federal expenditures for drawing down grant funds and reporting expenditures in the quarterly Federal Financial Reports (FFR). The ChancesR grant account we audited also included funding from a prior grant for the same program and officials used that associated spreadsheet to transition the accounting records from one grant funding source and time period to the next grant. However, we found the supplementary spreadsheets did not meet the terms and conditions of the grants for specificity because we could not always track and reconcile the expenditures reported in the spreadsheets for each grant to the supporting accounting records and the federal expenditures reported in the quarterly FFRs.

The supplementary spreadsheet for the ChancesR grant included inconsistencies between both the Beaver County accounting records and the quarterly FFR reports. We found the budget categories on the supplementary spreadsheet did not match the budget categories in the approved grant budget. Moreover, we determined that consultant expenditures were misclassified under the personnel expenditure budget category in both the Beaver County accounting records and the supplementary spreadsheet and Beaver County officials provided no reason why that occurred. We also found additional expenditures not in the approved budget that were included in the personnel expenditure category in both the accounting records and the supplementary spreadsheet.⁵

In our judgment, the supplementary spreadsheets should have tracked and reconciled to the expenditures supported by the accounting records. However, the accounting records could not support grant funded expenditures between the ChancesR grant we audited and previous grant awards for the same purpose, nor could the supplementary spreadsheets for the grant independently reconcile to the accounting records. From our review we determined that officials could not support the transition between the current ChancesR funding and the previous grant's funding.

⁵ Expenditures included legal and other administrative expenditures.

We also found a similar pattern of exceptions including inaccuracies and inconsistencies with the supplementary spreadsheets prepared for both the BC-Reach and Intercept grants. The BC-Reach and Intercept grant spreadsheets did not match the approved grant budget. For these grants both the supplementary spreadsheet and the accounting records misclassified consultant expenditures in the personnel budget category, and we found unbudgeted expenditures in both the spreadsheets and the accounting records. The Intercept supplementary spreadsheet did not track and reconcile to the accounting records because miscellaneous expenditures were included in the fringe benefit budget category and travel expenditures in the supplementary spreadsheet were not supported by the accounting records. Additionally, some of the expenditures reported on the Intercept FFRs were not supported by the spreadsheet.

Officials acknowledged the inconsistencies in the spreadsheet's expenditure budget categories and, after the completion of our onsite field work, provided revised supplementary spreadsheets for each of the grants. Officials told us that even though individual expenditures were misclassified and incorrectly reported in both the spreadsheets and the accounting records for budget tracking purposes, they believed the total expenditure amounts were correct. Officials also told us they believed the spreadsheets supported the transition between the two ChancesR grants.

We reviewed the second set of supplementary spreadsheets provided by Beaver County and found errors and inconsistencies remained in tracking and reconciling to the accounting records, and we address these exceptions later in this report. We included these exceptions as questioned costs and reported those amounts in the appropriate sections in this report with a detailed explanation of our findings.

We recommend OJP evaluate Beaver County's internal accounting and financial controls to ensure supplementary spreadsheets, accounting records, and FFRs for each grant accurately and consistently report grant expenditures with required specificity for budget tracking and reconciliation. We also cite the need for policies and procedures to ensure that Beaver County official accounting records accurately reflect grant expenditures made and include periodic documented and verifiable reconciliations to any and all supplementary spreadsheets and required grant reporting mechanisms such as the FFRs. Additionally, for the ChancesR grant, we recommend that grant accounting records support the transition between the current grant activity and the previous grant.

Single Audits

We reviewed the Beaver County Single Audit Reports prepared by an independent accounting firm for Fiscal Years (FY) 2010, 2011, and 2012. The single audits were completed in a timely manner and the reports identified no material weaknesses or reportable findings that impact the grants we audited.

Grant Expenditures

Grant recipients are responsible for establishing and maintaining adequate financial and accounting systems and accompanying accounting records that accurately account for funds awarded. Additionally, these systems should use a valid and verifiable methodology that can provide accounting records to completely and accurately track and report the data for a specific grant to ensure that the objectives of the grant are met. An adequate system of accounting may also help reduce the potential for fraud, waste, and abuse of the grant funds.

Our audit concluded that Beaver County did not have an adequate financial and accounting system in place. Specifically, Beaver County provided multiple sets of inconsistent information detailing the expenditures charged to the grants based on a series of supplementary spreadsheets. As a result, we determined that some of the records Beaver County provided during our audit were not reliable because the records did not track and reconcile to verifiable supporting documentation.

Officials prepared the supplementary spreadsheets based on the expenditures reported in Beaver County's accounting system that uses a commercial accounting software package. During our initial expenditure testing we identified inaccuracies in the spreadsheets prepared to support each grant. Based on the supporting documentation we reviewed during our testing of the separate grants, we determined that officials reported several expenditures correctly in the accounting system but incorrectly in the spreadsheets, other expenditures were reported incorrectly in both the spreadsheets and the accounting system. After we identified the inaccuracies, these same officials reworked and revised the spreadsheets for the three grants. The revised spreadsheets corrected the inaccuracies for the BC-Reach grant but some inaccuracies remained in the revised spreadsheets for both the ChancesR and Intercept grants. Although some inaccuracies remained, we were still able to complete our expenditure testing. However, because of the inaccuracies in the ChancesR spreadsheet, officials could not readily support the transition between the current grant funding we audited and the previous grant funding for the same program.

Beaver County grant expenditures for each grant collectively consisted of charges for personnel, fringe benefits, contractor and consultant charges, other miscellaneous expenditures such as travel, and indirect costs.

Personnel and Fringe Benefit Expenditures

We tested a judgmental sample of Beaver County's personnel expenditures for all grants to determine if they were correctly computed, properly authorized, accurately recorded, and properly allocated in the accounting system. In addition, we compared total fringe benefit rates approved in the grant budget to actual fringe benefit expenditures charged for each grant.

Beaver County computed personnel expenditures charged to each grant based on supplementary spreadsheets prepared from the grant expenditures

documented in its accounting system. We attempted to track and reconcile the spreadsheets to the accounting records but we found the expenditures in the spreadsheets did not always reconcile to the amounts reported in the accounting system. The spreadsheets and the accounting records for the ChancesR grant included various administrative charges, consultant fees, and legal expenditures that were misclassified under the personnel expenditure budget category, and we found similar inconsistencies with the BC-Reach and Intercept grants.

Officials acknowledged the inconsistencies but told us they believed both the spreadsheets and accounting system records accurately reported each grant's total expenditures. The same officials revised the spreadsheets for each grant and attempted to correct the exceptions but the updated spreadsheets did not correct all of the deficiencies. A Beaver County official explained that the inconsistencies occurred because the methodology used for the grant specific spreadsheets relied on extracting expenditure data from the Beaver County accounting records, and that data was not static but subject to change. Moreover, the grant specific spreadsheet and resulting calculations that was used for reporting purposes under each grant was never retained in hardcopy to allow for a full and independent verification back to the source and original supporting documentation. The official acknowledged this was an internal control shortcoming that Beaver County was going to correct. Without adequate controls to ensure grant funded expenditures are accurately reflected in the accounting system, the potential exists for misuse of grant funds.

The revised Chances R grant spreadsheet corrected most of the exceptions associated with the expenditures we identified as misclassified under an incorrect budget category. However, \$4,992 of consultant fees remained classified in the spreadsheet's personnel expenditure category and we question that as unallowable. We also questioned \$1,847 of the associated fringe benefit calculation charged to the grant as unallowable because officials applied the grant budget approved 37 percent fringe benefit rate against personnel expenditures that were in fact misclassified.

The revised BC-Reach and Intercept spreadsheets corrected the classification exceptions related specifically to the personnel expenditure and fringe benefit budget categories.

We tested the accuracy of the time and effort reporting for a Beaver County employee funded under the grants that allocated their time and salary among all three grants we audited and other Beaver County projects. The employee we tested completed electronic timesheets for payroll processing and the timesheets we reviewed were adequately supported with evidence of supervisory review for the hours allocated to each grant and other non-grant funded activities. No exceptions were noted.

We recommend that OJP remedy the \$6,839 of unallowable charges to the personnel expenditure and fringe benefit budget categories because these grant

charges included consultant fees and fringe benefit charges associated with the unallowable expenditure.

Other Direct Cost Expenditures

We selected a judgmental sample of non-personnel expenditures for testing from all three grants. Our testing was done to determine if the expenditures were properly authorized, supported by source documentation, recorded in the accounting system, and allowable under the grant guidelines, terms, and conditions.

We found other direct cost expenditures were generally authorized, reviewed, and approved by a supervisor, and the expenditure supported the grants objectives. However, we did identify from our review of the revised supplementary spreadsheets that Beaver County included \$3,589 in travel expenditures for its drawdown requests that were not included in the accounting records. We questioned this amount as unsupported travel expenditures.⁶

Indirect Cost Expenditures

Indirect costs are organizational costs that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of its operations. The cost of operating and maintaining facilities, depreciation, and administrative salaries are examples of the types of costs that are usually treated as indirect. The total amount of allowable indirect cost expenditures for each grant are based on a percentage of the total eligible direct cost expenditures for each grant period reported. The percentage used for the indirect cost calculation is based on an approved rate.

Beaver County calculated indirect costs charged to each grant based on the total eligible direct cost expenditures included in their supplementary spreadsheets. To verify the indirect cost calculations for each grant, we selected the four most recent indirect cost calculations, computed the total indirect costs, and compared the results to the indirect cost calculations reported in the Federal Financial Reports (FFR). We previously noted inconsistencies with direct cost expenditures reported on the spreadsheets and we found additional inconsistencies related to indirect cost expenditures.

The BC-Reach grant indirect costs we calculated reconciled to the indirect costs reported on the FFRs but we found inconsistencies with the reported indirect costs for both the ChancesR and Intercept grants. We found officials calculated the ChancesR indirect cost calculation for the quarter ending March 31, 2014, using an inaccurate cost base. This calculation resulted in \$7,807 of excess indirect cost charges to the grant and we questioned the amount as unallowable. We also found

⁶ In its response to the draft audit report, Beaver County provided \$3,589 in supporting documentation to remedy questioned costs associated with travel expenditures.

inaccurate indirect cost calculations related to the Intercept grant. We tested four quarterly periods from the grant's inception through June 30, 2014, and found three of the four periods incorrectly calculated indirect costs. The error occurred because officials repeatedly calculated indirect costs based on the total costs for the project not the cost for the quarterly period. Therefore, for the first period when the total cost for the period equaled the total project costs, the calculation was accurate, but for the remaining three periods, when total project costs were higher than the quarterly period costs, the calculation was inaccurate. We questioned as unallowable \$10,797 which represents the total excess indirect costs charged to the grant during the three quarterly periods. We recommend OJP remedy the \$18,604 of unallowable indirect costs for both the ChancesR and Intercept grants.⁷

We found the Beaver County indirect cost rate met the terms and conditions of the grant. The OJP Financial Guide offers an exception to its normal policy of federal agency approval for all indirect cost rates. The exception states that units of local government who have not been assigned a cognizant agency must retain a copy of their indirect cost proposal but need not submit the proposal for review unless the awarding agency requests a copy of the proposal.⁸ We found Beaver County officials were aware of the exception and retained a copy of their indirect cost proposal. We reviewed data from the Federal Audit Clearinghouse and confirmed a cognizant agency had not been assigned. We also reviewed the award documents for each grant and found OJP did not require the submission of the indirect cost proposal for review.

Drawdowns

According to the OJP Financial Guide, drawdowns must be based on the immediate cash needs of the awardee as a reimbursement for expenditures already paid by the awardee or as an advance to pay expenditures in the near future. In the case of drawdowns as advances, if awardees do not spend the funds received within 10 days, the funds should be returned to OJP until such time that it is needed.

At the time of our field work in August 2014, drawdowns of grant funding totaled \$1,251,749 for all three awards broken down as follows: \$807,953 of \$2,450,000 or 33 percent for the ChancesR grant, \$69,099 of \$250,000 or 28 percent for the Intercept grant, and \$374,697 of \$600,000 or 62 percent for the BC-Reach grant. To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed Beaver County Officials and reviewed a sample of documentation supporting actual expenditures. We determined that drawdowns were requested on a reimbursement basis and Beaver County's drawdown procedures were generally adequate and complied with grant

⁷ In its response to the draft audit report, Beaver County provided \$7,807 in supporting documentation to remedy questioned costs associated with indirect costs.

⁸ The cognizant agency is generally the federal agency that provides the most financial assistance to the awardee.

requirements. However, as we discussed earlier in this report, the amounts in total requested for drawdown purposes were based on supplemental spreadsheets that Beaver County maintained for each grant and those spreadsheets did not always track and reconcile to the accounting records for the reasons previously cited, nor was there always verifiable documentation available to support individual expenditures included in the drawdown total.

Program Matching

The ChancesR and the Intercept grants included a matching requirement. Both matches were characterized as in-kind matches, meaning that services were to be provided in lieu of cash contributions. The ChancesR and Intercept budget narratives described the matching services as jail-based treatments. Beaver County provided invoices describing services performed and the total dollar value of those services to support their matching contribution.

However, we reviewed invoices, accounting records, and FFRs and found that amounts reported in each of the documents did not always reconcile with each other, including \$1,000 for the ChancesR grant and \$4,024 for the Intercept grant. Specifically, the ChancesR grant FFR for the period ending March 30, 2013, reported matching services totaling \$263,000 but the documentation supporting the match showed expenditures totaling only \$262,000, or an unsupported difference of \$1,000 that we questioned. The Intercept grant FFR for the period ending June 30, 2014, showed a minor inconsistency because officials reported a match of \$22,500 on the FFR but the match expenditure in the supporting documentation totaled \$22,586. We considered the amount of the inconsistency immaterial but the difference between the two provided another example of weak internal controls. We asked officials to support the matching expenditure of \$22,500 but they provided an invoice totaling only \$18,476. We questioned as unsupported \$4,024 which represents the difference between the amount reported on the FFR as the matching expenditure and the invoice to support the matching services provided.

We recommend that OJP remedy the \$5,024 in unsupported program matching services for both the ChancesR grant and the Intercept grant⁹.

Reporting

Federal Financial Reports

The financial aspects of the grants are monitored through Federal Financial Reports (FFRs). FFRs are designed to report on the status of grant expenditures and remaining funds and must be submitted within 30 days of the end of the most recent quarterly reporting period. According to the OJP Financial Guide, if FFRs are

⁹ In its response to the draft audit report, Beaver County provided \$5,024 in supporting documentation to remedy questioned costs associated with program matching services.

delinquent, an automatic hold on further drawdowns will be placed on the remaining funds associated with a grant.

For the three grants, Beaver County officials told us they completed the FFRs using the supplementary spreadsheets generated from the accounting system records and segregated by cost center for each grant. We tested the four most recent quarterly FFRs for each grant. As we noted earlier in this report, we found inconsistencies between the expenditures Beaver County reported on their FFRs, the supplementary spreadsheets they prepared, and the expenditures reported in the accounting system records.

We asked officials about the inconsistencies between the FFRs and the supporting documentation. Officials acknowledged the inconsistencies and told us they relied on contracted staff from an independent accounting firm to complete the supplementary spreadsheets among other duties. Additionally, although Beaver County officials said they reviewed the firm's work, they did not fully understand how the Certified Public Accountant (CPA) staff member assigned to work exclusively on the Beaver County engagement developed a methodology, completed calculations, and arrived at the amounts reported in the supplemental spreadsheets and summarized the spreadsheet data that was then included on the quarterly FFRs. In a discussion with the assigned staff member about their approach and methodology in preparing the spreadsheets and the FFRs, the staff member acknowledged some of the inconsistencies in the FFRs were due to timing differences between when the accounting records were updated for grant expenditures and when the reimbursement request was made and used in preparing the FFRs. From our review and discussions we found no evidence of any documented procedures that detail the approach and methodology used in preparing and completing the supplementary spreadsheets or the FFRs. When FFRs do not include complete and accurate information, OJP's ability to monitor grant funds is compromised, increasing the risk that funding will be subject to fraud, waste, and abuse. We recommend that OJP ensure Beaver County implements policies and procedures that facilitate the preparation of FFRs based on complete, accurate, and verifiable supporting documentation.

Progress Reports

Progress reports provide information relevant to the performance of a grant-funded program and the accomplishment of objectives as set forth in the approved grant application. According to the OJP Financial Guide, these reports must be submitted twice yearly, within 30 days after the end of the semi-annual reporting period, for the life of the grant.

For each of the grants, we reviewed and tested a sample of progress reports for accuracy and timeliness. We determined that the reports were submitted in a timely manner and the accomplishments outlined in the reports supported the objectives of the grants. However, we found the statistical data officials used to prepare the reports was not always accurate or could not always be supported. Specifically, we identified one report that showed 559 people completed training but

the supporting documentation cited only 509 trainees. Other reports showed 103 inmates receiving employment and educational services but officials could document only 27 inmates who received each of the services. Statistics for the Intercept grant included 123 people receiving Mental Health First Aid training but the support documented only 109 trained. For the BC-Reach grant, statistics included 29 inmates receiving mental health or substance abuse screenings but the support only documented 24 inmates who received the screening.

Officials told us the discrepancies resulted from miscalculations, changes in requirements, and computer generated reports that may have been current at the time of the report but could not be produced at the time of our audit. Training discrepancies occurred because officials sometimes reported the number of trainees who enrolled in courses, not the number who attended and completed the course.

Without accurate performance information, OJP is unable to determine whether funding provided under each of the grants was used effectively and efficiently to accomplish program goals and objectives. Based on the inconsistencies we found in the documentation supporting a significant number of the reported statistics, we recommend OJP require Beaver County implement policies and procedures that facilitate the preparation of progress reports based on complete, accurate, and verifiable supporting documentation to report creditable grant accomplishments.

Budget Management and Control

The OJP Financial Guide and criteria established in 28 C.F.R §66.30 address budget controls surrounding awardee financial management systems. According to the requirements, grant recipients 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 grant must be approved in advance by the awarding agency. In addition, the criteria requires that all awardees establish and maintain program accounts which will enable separate identification and accounting for funds applied to each budget category included in the approved grant.

For each of the grants we found that the accounting system records included administrative and consultant expenditures in the personnel budget category as well as other inconsistencies between the supporting documentation for the expenditures and the amounts reported in the accounting records. The inconsistencies occurred because the budget categories in the accounting system did not match the same categories in the approved grant budget. Officials attempted to use the supplementary spreadsheets to reconcile the budget categories in the accounting system records to each grant's approved budget, and introduced errors when they converted expenditures from the accounting records to the spreadsheets. From our review we determined that the accounting system records did not always accurately report each grant's actual expenditures based on supporting documentation, and as a result did not meet the OJP Financial Guide requirement to maintain program accounts that enable separate identification and

accounting for funds applied to each budget category included in the approved grants.

We found the budget categories in Beaver County's accounting system records did not always match each grant's approved budget by category. Moreover, the inaccuracies in the accounting system records were initially included in the supplementary spreadsheets officials used to track and report grant expenditures. After we identified these inaccuracies from our testing, officials revised each grant's supplementary spreadsheet and corrected some but not all of the inaccuracies. Officials also provided us with correspondence from the OJP program manager discussing the movement of funds between different budget categories and OJP's requirement to request a Grant Adjustment Notice if the dollar value of the transfers between categories exceeded 10 percent of the total award. However, the correspondence did not address the requirement to accurately report all expenditures in relation to the budget categories approved in the grant award documentation, and it did not revise the grant's original budget categories or approve any deviations from those budget categories.

Overall, from our testing and discussions with Beaver County officials we concluded that the supplementary spreadsheets were not fully reliable and as a result we were unable to accurately evaluate budget versus actual expenditures for each grant.

When grant recipients do not accurately adhere to the approved budget cost categories, effective grant management is potentially undermined and the ability to adequately safeguard grant funds is compromised. We recommend that OJP ensure that Beaver County accounting system records and any other supplemental recordkeeping system in use meets each grant's requirement to establish and maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.

Monitoring Contractors and Consultants

The OJP Financial Guide defines contractors as individuals who agree to furnish materials or perform services at a specified price, and consultants as individuals who provide expert or professional advice. During our audit field work, Beaver County officials initially told us expenditures were charged to the grants we reviewed for consulting services, but later changed their position and said the expenditures related to services performed by contractors. The distinction between contractors and consultants is important because OJP's financial controls and requirements are not the same for both groups.

Criteria established by OJP's Guide to Procurement Procedures are based on the principle that all procurement transactions must be conducted in a manner to provide, to the maximum extent practical, open and free competition. To control costs related to large contracts (over \$150,000) awardees are expected to establish a competitive bidding procurement process or obtain approval from the awarding agency for sole source procurement. For grants made using simplified acquisition

rules, awardees are expected to document telephone solicitations performed or written quotations received.¹⁰ Awardees are also required to establish written procurement policies and procedures.

Consultant criteria established by the OJP Financial Guide are based on the principle that compensation for individual consultant services must be reasonable and consistent with compensation paid for similar services in the marketplace. During the period we audited consultants contracted outside a competitive bidding process were limited to \$450 per day, or \$56.25 per hour, and payments in excess of those rates required prior approval by the awarding agency. The Financial Guide also notes that a transparent procurement process should be established and consultant rates of pay should be reasonable and justifiable.

We reviewed grant budgets, invoices, and accounting records and found Beaver County officials classified grant funded service agreements without making a clear distinction as to whether the work was performed by a contractor or a consultant. Officials included 20 firms providing outside services in the three grant budgets, and identified 4 as contractors and 17 as consultants. Officials identified one firm out of the 20, providing accounting services, as a contractor in the ChancesR budget while noting the same provider as a consultant in the Intercept budget. In performing our testing, we reviewed 53 invoices for this provider and found 27 transactions described as consultant expenditures and 26 as contractor expenditures. We also reviewed 12 grant-funded service agreements, including two contracts that exceeded the \$150,000 threshold, and found one contract referred to services provided by consultants and 11 contracts described contract or fees for service providers.

In reviewing grant-related documentation, we found little evidence of competitive bidding practices, written procurement policies and procedures that had only been established in 2012, and no approvals from OJP for sole source contracts or consultant rates in excess of \$450 per day. We also identified two providers that were not selected using free and open competitive bidding practices and in one instance did not meet the reasonable and justifiable compensation standard.

Specifically, Beaver County engaged an independent accounting firm to provide services for each grant related to completing grant applications, monthly drawdowns and Federal Financial Reports (FFR), preparing supplementary spreadsheets based on data reported in the accounting system records, and updating a grant-funded indirect cost allocation plan, among other tasks. The contractual service agreement for this provider did not include a daily or hourly rate of pay, but rather a statement that standard rates would apply. The detailed budgets accompanying each grant application included the amount to be paid to the accounting firm, but this amount was not broken out for hourly or daily pay rates. The invoices we reviewed showed Beaver County paid the accounting firm between

¹⁰ The Procurement Guide identifies simplified rules to minimize the procurement administrative burden for small purchases.

\$341 and \$360 hour per hour – based on performing grant specific services detailed in a supporting statement included with the invoice. From our analysis based on a work year of 2,080 hours (computed at 52 weeks, @40 hour work week), the annualized pay rate for the accounting firms services would be between \$709,000 and \$748,000 per year. Because this amount exceeds what would be considered reasonable for accounting services, and we found no documentation demonstrating that the contract was awarded through a competitive process or approved by OJP, we questioned \$51,640 paid to the provider and charged to the grants as an unallowable expense.

Beaver County also engaged a law firm to provide legal services for two grants that included the ChancesR and the BC-Reach grant. The detailed budgets included with the grant applications did not include a line item for the legal services provided. In reviewing related documentation from the law firm, we found a letter accompanying the service agreement for legal services establishing a \$200 per month retainer to be paid by Beaver County, and \$125 per hour paid for legal services other than litigation or out-of-county work. Because the contractual service agreement was not awarded through a competitive process and approved by OJP, we questioned the \$10,697 paid to the provider and charged to the grants as an unallowable expense.

Beaver County officials acknowledged they did not competitively bid any of the grant-funded work and stated that the work was based on several criteria, including: (1) clinical work defined as dealing with the examination and treatment of patients that is equal to federal or state Medicaid reimbursements whenever possible, (2) non-clinical work defined as non-patient care based on market rates or prior worked performed, and (3) unique services performed by only a limited number of local providers. Officials also provided the standard rates identified by the accounting firm in its contractual service agreement with Beaver County. The accounting firm rates are based on a document provided to us by Beaver County that showed a five-tiered scale ranging from \$120 per hour for a staff member through \$360 per hour for a shareholder.¹¹

Without adherence to full and open competition, adequate disclosure and approval for sole source contracting, and procurement of consulting services in accordance with all applicable OJP requirements, grant funding is at risk for potential waste and misappropriation. We recommend OJP ensure grant-funded work is properly identified as contract or consultant work, that Beaver County implement applicable grant compliant processes when engaging and funding providers for grant-related services, and remedy the \$62,337 in unallowable costs identified above.¹²

¹¹ In an accounting firm a partner or shareholder is defined as an owner of the business. For the period we reviewed during testing, the invoices showed Beaver County paid the top tier or shareholder rate for grant funded accounting services.

¹² Our testing also identified 10 additional positions that may not have met OJP's financial standards but Beaver County did not complete our request for an hourly breakdown of the work

Program Performance and Accomplishments

The objective of the grants we audited included the development and implementation of programs that: (1) transitioned individuals between prisons, jails, or juvenile detention facilities and the community, (2) increased access to mental health and other treatment services for offenders with mental illness or co-occurring mental health and substance use disorders, and (3) improved the treatment options for adult offenders during periods of incarceration, parole, or court ordered supervision after release into the community. To determine Beaver County's progress towards the objectives we interviewed officials and verified documentation citing specific achievements established for the grants. We found that Beaver County's grant-funded activities were consistent with each grant's objectives. However, as we cited earlier in this report under the Progress Reports section, statistical information demonstrating actual program performance was not always accurate or could not always be supported.

ChancesR

Beaver County received funding to address the challenges posed by offender re-entry and to promote the safe and successful reintegration of the offender into the community. We found evidence of grant-funded activities supporting: (1) the identification of incarcerated individuals with a mental health and/or substance use disorder, (2) access to pre-release services by targeted inmates, (3) increased adherence to the re-entry plan and access to community-based services, (4) access to post-release services by target inmates after re-entry into the community, and (5) monitoring offender re-entry plans and access to community-based services.

BC-Reach

Beaver County's grant-funded programs included offender re-entry programs focusing on offenders incarcerated in the Beaver County Jail who suffered from mental health and substance use disorders and co-occurring mental health and substance use disorders. We found evidence of grant-funded activities supporting: (1) staff training related to identification of incarcerated individuals with single and co-occurring disorders, and (2) pre and post release re-entry services provided by staff members to the targeted offender group.

Intercept

Beaver County received offender re-entry funding to intercept individuals at the earliest possible point to promote successful community integration, and reduce recidivism. Officials provided evidence supporting: (1) individual needs assessments designed to reduce recidivism, (2) Mental Health First Aid training for

performed by the providers and we could determine potential questioned costs or if the expenditures for the positions met OJP's standards.

criminal justice personnel staff designed to improve staff recognition of disorders, and (3) provide offender assessments at the courthouse and booking center to improve implementation court-base jail diversion programs.

Compliance with Other Grant Requirements

Grant requirements are included in the terms and conditions of a grant, and special conditions may be added to address special provisions unique to a grant. We reviewed a sample of five special conditions found in each grant that we determined to be within the scope of our audit and we did not specifically test elsewhere in our audit. These areas included: (1) limitations on political activity, (2) limitations on ACORN funding, (3) verification of financial points of contact, (4) prohibitions on duplication of funding, and (5) protection of human subjects. We found that Beaver County complied with the grants special conditions we tested.

Conclusion

We found that Beaver County did not fully comply with the grant requirements we tested. We found material weaknesses in Beaver County's internal control associated with award financial management, grant expenditures, program matching requirements, FFR and progress reporting, budget management and control, and contractor and consultant monitoring. This resulted in questioned costs totaling \$96,393.

Recommendations

We recommend that OJP:

1. Ensure that Beaver County internal accounting and financial controls can accurately account and consistently report grant expenditures with required specificity for each grant funding source, and facilitate the tracking, reconciliation, and reporting of expenditures to verifiable source documentation.
2. Ensure that Beaver County implements policies and procedures to ensure that accounting records accurately reflect grant expenditures made and include periodic documented and verifiable reconciliations.
3. Remedy \$6,839 of unallowable personnel and fringe benefit expenditures.
4. Remedy \$3,589 in unsupported travel expenditures.
5. Remedy \$18,604 in unallowable indirect costs.
6. Remedy \$5,024 in unsupported program matching services for both the ChancesR and the Intercept grant.

7. Ensure that Beaver County implements policies and procedures that facilitate the preparation of FFRs based on complete, accurate, and verifiable supporting documentation.
8. Ensure that Beaver County implements policies and procedures that facilitate the preparation of progress reports based on complete, accurate, and verifiable supporting documentation to report grant accomplishments.
9. Ensure that Beaver County accounting system records and any other supplemental recordkeeping system in use meets each grant's requirement to maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.
10. Ensure that Beaver County grant-funded work is properly identified as contract or consultant work and that appropriate grant compliance standards and requirements are followed.
11. Remedy \$62,337 in unallowable costs related to services provided by contractors and consultants.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether reimbursements claimed for costs under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. We also assessed awardee program performance in meeting awards objectives and overall accomplishments. The objective of our audit was to review activities in the following areas: (1) award financial management, (2) grant expenditures, (3) drawdowns, (4) program matching, (5) Federal Financial and progress reports, (6) budget management and control, (7) monitoring contractors and consultants, (8) program performance and accomplishments, and (9) compliance with other grant requirements. We determined that program income, and monitoring subrecipients were not applicable to these grants.

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 used sample testing while testing grant expenditures. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as high dollar amounts or expenditure category based on the approved grant budget. This non-statistical sample design does not allow for the projection of the test results to the universes from which the samples were selected.

We audited the Office of Justice Programs grant numbers 2011-CZ-BX-0049, 2012-RW-BX-0005, and 2012-MO-BX-0020. The Awardee had a total of \$1,251,749 in requests for grant funding through July 9, 2014. Our audit concentrated on, but was not limited to, the beginning of the 2011 grant in October 2011, through the end of on-site field work in August 2014. After the end of field work we continued to have contact with Beaver County and received additional documents and accounting records relevant to the grants.

We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audit against are contained in the Code of Federal Regulations: 28 CFR § 66, Uniformed Administrative Requirements for Grants, incorporated in the Office of Justice Programs Financial Guide and grant documents.

In addition, we reviewed the accuracy of Federal Financial Reports and progress reports and program matching documentation, evaluated actual program performance and accomplishments to grant goals and objectives, evaluated agreements with and payments made to contractors and consultants, reviewed select grant special conditions, and considered internal control issues associated

with award financial management. However, we did not test the reliability of the financial management system as a whole.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS	Amount	Page
Unallowable Costs:		
Unallowable Personnel and Fringe Benefit Expenditures	\$ 6,839	9
Unallowable Indirect Costs	18,604	11
Unallowable Contractor or Consultant Charges	62,337	17
Total Unallowable Costs	\$ 87,780	
Unsupported Costs:		
Unsupported Travel Expenditures	\$ 3,589	10
Unsupported Program Matching Services	5,024	12
Total Unsupported Costs	\$ 8,613	
Total Questioned Costs¹³	\$ 96,393¹⁴	

¹³ **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.

¹⁴ In its response to the draft audit report, Beaver County provided \$16,420 in supporting documentation to remedy questioned costs associated with travel expenditures, program matching services, and indirect costs. Total questioned costs have been reduced to \$79,973.

BEAVER COUNTY, PENNSYLVANIA RESPONSE TO THE DRAFT
AUDIT REPORT¹⁵



BEAVER COUNTY BEHAVIORAL HEALTH

September 25, 2015

Board of Commissioners
Tony Amadio, Chairman
Joe Spanik
Dennis Nichols

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office

BEAVER COUNTY
BEHAVIORAL HEALTH

Administrator
Gerard Mike

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Dear Mr. Puerzer:

Beaver County appreciates the opportunity to present additional supporting documents and clarification for the Department of Justice's audit of grant numbers 2011-CZ-BX-0049, 2012-RW-0005, and 2012-MO-BX-0020.

The information is provided in two parts:

- A. Breakdown of Draft Findings - This is a detailed listing of each item identified by the DOJ auditor and it offers clarification as to the supporting documentation being provided to supplement the original documents.
- B. Exhibits - this is the accompanying documentation to the "Breakdown of Draft Findings".

We appreciate you permitting Beaver County the time to prepare additional documentation and allowing us to respond to your initial review. We appreciate your thorough and thoughtful draft and hope that our responses address your concerns. If we can be of any further assistance or answer any additional questions, please let us know.

Best Regards,

Gerard Mike
Administrator
Beaver County Behavioral Health

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¹⁵ Attachments to this response were not included in this final report.

Breakdown of Supporting Documentation

Audit Services Observations #	Sub-Observation	Observation Description	Initial Questioned Cost Amount	Amount supported by Additional documentation	Questioned Costs Remaining	Additional Support Reference	Summary of what the documentation demonstrates
1		Ensure that Beaver County internal accounting and financial controls can accurately account and consistently report grant expenditures with required specificity for each grant funding source, and facilitate the tracking, reconciliation, and reporting of expenditures to verifiable source documentation.				See Exhibit H	While Beaver County has had established procedures for grant monitoring, reporting, and invoicing, the procedures were not outlined in the policy manual. Beaver County understands the auditors' concerns and has developed written procedures that have been inserted into the policy manual. These written procedures remedy the issues outlined by the auditors and we request that this comment be removed from the report.
2		Ensure that Beaver County implements policies and procedures to ensure that accounting records accurately reflect grant expenditures made and include periodic documented and verifiable reconciliations.				See Exhibit H	While Beaver County has had established procedures for grant monitoring, reporting, and invoicing, the procedures were not outlined in the policy manual. Beaver County understands the auditors' concerns and has developed written procedures that have been inserted into the policy manual. These written procedures remedy the issues outlined by the auditors and we request that this comment be removed from the report.
3		Recommendation that OIP remedy the \$6,839 of unallowable charges to the personnel expenditure and fringe benefit budget categories because these grant charges included consultant fees and fringe benefit charges associated with the UA expenditure.					
	3.1	\$4,992 of consultant fees remained classified in the spreadsheets personnel expenditure category and is being questioned as unallowable.	4,992	4,992	-	Exhibit A (i) Email approval from DOJ representative on September 30, 2014. (ii) GAN criteria (iii) Initial email to DOJ representative (iv) Budget versus actual variance review	At the time of the application for funding, this position was originally classified as an employee position. However, at the time of implementation, the position became contractual. The original budget contained a contractual budget line item. Since the total costs are less than 10% of the total budget, the position is allowed to be reclassified to an approved category without seeking additional approval. In its due diligence, in August of 2014, Beaver County contacted their DOJ representative to ask whether they needed to submit a GAN. The DOJ representative in her response stated that they do not need a GAN for the reclassification. Notwithstanding the above, the actual amount reclassified never exceed 10% which would have required approval (the budget versus actual expense review shows that only 5% of the budget was reclassified in the first CHR grant and less than 4% was reclassified in the second CHR grant). Therefore, we haven't violated any regulations that would make this expense unallowable. Finally, even a full reclassification of the \$4,992 would only represent a 1% shift which still well under the 10% requirement for approval (per GAN criteria).
	3.2	\$1,847 is also being questioned because officials applied the grant budget approved 37% fringe benefit rate against personnel expenditures that were in fact misclassified.	1,847	1,847	-	Exhibit B (i) Final FFR for period end 6/30/2014 (ii) Payment request through 6/30/2014 (iii) Supplemental budget review (iv) General ledger account detail	The original budget included the position in the employee category and at the time of award, the fringe was appropriately budgeted at 37% of the personnel category. During implementation, this position became a contractual position which is allowable due to the 10% budget flexibility and an approved contractual budget category. While the initial budget had fringe associated with this position, [REDACTED] does not receive benefits and there was never a request for payment made to DOJ which included benefits for [REDACTED]. Part (i) shows the expenditures for the second ChancesR grant. The payment request reconciles to the FFR. The total amount of request is \$1,112,188. This amount matches what is in the supplemental budget review documentation. The supplemental budget review numbers come from the general ledger which is also attached. From the general ledger, you can see that fringe benefits is 3.5% of the salaries and wages of staff. [REDACTED] time is classified under the 6860 which is not built in to the fringe base. Since DOJ was never charged for fringe on [REDACTED]'s work, as evidenced by the attached documentation, the amount of \$1,847 should not be disallowed. All fringe benefits reported are accurate to employees.
4		Beaver County needs to remedy the unsupported travel expenditures for its drawdown requests that were not included in the accounting records					

	4.1	Beaver County needs to remedy the unsupported travel expenditures for its drawdown requests that were not included in the accounting records	3,589	3,589	-	Exhibit C (i) SIM 1 invoice (ii) Expense reimbursement form (iii) Supporting receipts	Exhibit C contains copies of all the receipts supporting travel costs totaling \$3,589. This support satisfies the auditors request.
5		Recommendation that OIP remedy the \$18,604 of unallowable indirect costs for both the ChancesR and Intercept Grants.					
	5.1	Officials calculated the ChancesR indirect cost calculation for the quarter ending March 31, 2014, using an inaccurate cost base. This resulted in \$7,807 of excess indirect cost charges to the grant and we questioned the amount as unallowable.	7,807	7,807	-	Exhibit D (i) FFR expenditures reporting and calculations (ii) FFR indirect reporting and calculations (iii) Funds entered into the system (iv) FFR for period ending 09/30/2013 (v) FFR for period ending 12/31/2013 (vi) FFR for period ending 03/31/2013	For the quarter ending 9/30/2013, the total amount of costs in the system for the period was \$159,536.52. The FFR reported expenditures for the period of \$262,605.54. This amount included \$103,069.02 from open contracts and was an overstatement. In the FFR for 3/31/2014, the amount reported on line e of the FFR is reduced by the \$103,069.02. Part (i) shows the adjustment. The indirects reported in the FFR reports were based on the actual costs for the period and not the overstatement or the adjusted amount. Part (ii) shows that if the expenditures were used to calculate the indirects, the difference in amounts (\$7934.24) balances out between the two reporting periods. Part (i) also shows how the auditors arrived at their calculation of \$7,807. The FFRs document the calculations given in Parts (i) and (ii).
	5.2	Four quarterly periods were tested from the grants inception through June 30, 2014 and found that 3 of the 4 periods had incorrectly calculated indirect costs. \$10,797 was questioned as unallowable which represents the total excess indirect costs charged to the grant during the three quarterly periods.	10,797	10,797	-	Exhibit E (i) FFR reporting calculation (ii) Payment request for 9/30/2013 period (iii) FFR 9/30/2013 (iv) Payment request for 12/31/2013 (v) FFR 12/31/2013 (vi) Payment request for 3/31/2014 (vii) FFR 3/31/2014 (viii) Payment request for 6/30/2014 (ix) FFR 6/30/2014	The auditor noted an unallowable indirect cost of \$10,797. Although the federal financial reports for the four quarters mistakenly reported a cumulative indirect expense base and indirect amount for the period, it is evidenced by the payment requests that only the actual costs for each quarter were presented for reimbursement. The FFR Reporting Calculation in the supporting documentation reflects the totals. Therefore, \$10,797 should not be indicated as unallowable as the payments were based on actual costs.
6		Recommendation that OIP remedy the \$5,024 in unsupported program matching services for both the ChancesR grant and the Intercept grant.					
	6.1	ChancesR grant FFR for the period ending March 30, 2013 reported matching services totaling \$263,000 but the supporting documentation reporting matching services totaling \$262,000 - unsupported difference of \$1,000	1,000	1,000	-	Exhibit F (i) Financial status report (ii) Supplemental Southern Health Partners match document	The justification for the \$1,000 difference is due to the rounding from the one-to-one match between Beaver County and Southern Health Partners. Part (i) shows that Beaver County accrued \$262,605.54 in total Federal Share Expenditures; the match was rounded up to the nearest thousand resulting in total Federal Share Expenditures of \$263,000. The supplemental spreadsheet tracking the matching requirement of Southern Health Partners rounded down the amount of the first match reported to the nearest thousand. The difference between the two was trued up over the course of the reporting. The one-to-one match reported compared to actual expenditures for the period is a difference of \$395 or \$605 both of which are immaterial. Since the amount was trued up over the course of the project and the difference is immaterial, the amount should not be disallowed.
	6.2	Intercept Grant FFR for period ending June 30, 2014 showed officials reported \$22,500. When supporting documentation was requested an invoice totaling \$18,476 was provided. \$4,024 is being questioned as unsupported costs.	4,024	4,024	-	Exhibit G (i) Financial status reports (ii) Invoice 1: Beaver County mental health fiscal form 17 (iii) Invoice 2: Beaver County mental health fiscal form 17	Only 1 of 2 invoices (\$18,475.96) which supports the \$22,500 was reviewed, therefore, leaving questioned costs of \$4,024. These invoices should be reviewed collectively (See Part (ii) and Part (iii)) as the total transactional costs of the two invoices totals \$40,116 which is in excess of the required match. Thus, the questioned costs should not be indicated as unallowable.
7		Ensure that Beaver County implements policies and procedures that facilitate the preparation of FFRs based on complete, accurate, and verifiable supporting documentation.				Exhibit H (i) Budget monitoring policy (ii) Grant invoice processing policy (iii) Grant invoice procedures	While Beaver County has had established procedures for grant monitoring, reporting, and invoicing, the procedures were not outlined in the policy manual. Beaver County understands the auditors' concerns and has developed written procedures that have been inserted into the policy manual. These written procedures remedy the issues outlined by the auditors and we request that this comment be removed from the report.
8		Ensure that Beaver County implements policies and procedures that facilitate the preparation of progress reports based on complete, accurate, and verifiable supporting documentation to report grant accomplishments.				Exhibit I (i) Response regarding corrective action taken (ii) HPW notice of corrective action (iii) ETC notice of new policy (iii) ETC new policy	Beaver County undertook corrective action regarding the reporting issues and its implementing partners updated their policies and procedures immediately upon notification. Additionally, Beaver County met the targeted number of beneficiaries for its program during the specified time period. Since the target numbers were reached and corrective action has been taken to remedy any reporting issues, Beaver County asks that this comment be removed from the report.

9		Ensure that Beaver County accounting system records and any other supplemental recordkeeping system in use meets each grant's requirement to maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.				Please see Exhibit H.	While Beaver County has had established procedures for grant monitoring, reporting, and invoicing, the procedures were not outlined in the policy manual. Beaver County understands the auditors' concerns and has developed written procedures that have been inserted into the policy manual. These written procedures remedy the issues outlined by the auditors and we request that this comment be removed from the report.
10		Ensure that Beaver County grant-funded work is properly identified as contract or consultant work and that appropriate grant compliance standards and requirements are followed.	-	-		Exhibit J (i) OJP policy (ii) Beaver County policy	Beaver County has a policy in place that is in line with the donors requirements. Please see attached policy. The OJP policy does not address expert advice that may not be related to the scope of work such as lawyers and accountants. These types of services are could be classified either as consultant or contractor based on the DOJ definitions. Since the OJP policy is not clear in its own description, Beaver County believes that as long as these types of services are consistently applied in accordance with its policies, we are in line and compliant with the regulations. We are happy to consider the input in this audit going forward, but we respectfully request the removal of this comment from the report due to the unclear nature of the donor's guidelines.
11		Remedy \$62,337 in unallowable costs related to services provided by contractors and consultants.				See Exhibit K and Exhibit L for details	Neither of these firms is considered a consultant as they are providing professional services at fixed rates established by their firms. The requirements for the procurements is to be openly competed above the \$150,000 threshold and for procurements below the threshold to be reasonable in cost. For both contracts, the estimated contract cost and actual costs were below the threshold as demonstrated below. Additionally, the rates charged were within range or below market rate for similar work. Therefore, both contracts were compliant with the regulations and are considered allowable.
	11.1	Services provided by independent accounting firm totaled between \$709,000 and \$748,000 per year. Because this amount exceeds what would be considered reasonable for accounting services, and there was no documentation demonstrating that the contract was awarded through a competitive process or approved by OJP, \$51,640 was questioned which was paid to the provider and charged to grants as unallowable costs.	51,640	51,640	-	Exhibit K (i) Contract (ii) Invoice (iii) Journal of Accountancy report on billing rates for 2012 (iv) 2012 billable rates - table from article (v) Journal of Accountancy report on billing rates for 2010 (vi) 2010 billable rates - table from article	The contract shows that Beaver County will be billed for actual time charged. The invoice shows the estimated fee for the year will be \$50,000. The estimated fee and the total fee of \$51,640 are both under the small purchase threshold of \$150,000. Accounting services provided by an outside firm would not be full time and the estimated fee shows that it is not a full time position. The services performed by Alpern Rosenthal were part of the scope of the project and included business compliance in addition to basic accounting service. The Journal of Accountancy publishes average billable rates for basic accounting services. The average 2010 rates for businesses over 10M in revenue go up to \$320 per hour for basic accounting services. In 2012, the average billing rates go up to \$313 per hour. The rate billed for services is only slightly above the averages reported for accounting services. Since the total work was estimated at \$50,000 and the rate is in line with similar firms, this cost is considered allowable.
	11.2	Contractual agreement between Beaver County and law firm was not awarded through a competitive process and approved by OJP. Therefore the auditors questioned \$10,697 paid to the provider and charged to the grants as an unallowable expense.	10,697	10,697	-	Exhibit L (i) Contract (ii) 2010 - 2011 Attorney Fee Survey Report paper showing billable rates by state and by years in practice (iii) 2012 Survey of Law Firm Economics paper showing billable rates (iv) OJP Guide to Procurement Procedures document	Criteria established by the OJP Financial Guide are based on the principle that compensation for professional services must be reasonable and consistent with rates paid for similar services in the marketplace. The attached contract establishes the billing rate at \$125 per hour and a \$200 per month retainer. The two articles attached show that the average billable rate for new lawyers is around \$200 per hour. Therefore, the charge of \$125 per hour is reasonable and in compliance with OJP's requirements. Additionally, OJP Guide to Financial Procedures establishes "Interdepartmental Transfer of Funds" as an appropriate procurement method. As evidenced by the attached policy, the state or local government may use this method when there exists a contractor currently performing work for them that could effectively satisfy the requirement. Since the County has worked with this law firm in the past, the rate is reasonable, and the contract will not exceed \$150,000, this is an acceptable method of procurement.

OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT
AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

SEP 25 2015

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Marlin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Adult and Juvenile Offender Re-Entry and Justice and Mental Health Collaboration Grants, Awarded to the County of Beaver, Pennsylvania*

This memorandum is in reference to your correspondence, dated August 28, 2015, transmitting the above-referenced draft audit report for the County of Beaver, Pennsylvania (Beaver County). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 11 recommendations and \$96,393 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 Beaver County internal accounting and financial controls can accurately account and consistently report grant expenditures with required specificity for each grant funding source, and facilitate the tracking, reconciliation, and reporting of expenditures to verifiable source documentation.**

OJP agrees with the recommendation. We will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure the establishment of an effective internal control system, including duties over the accounting and financial functions. At a minimum, the procedures should include requirements to: accurately account and consistently report Federal grant expenditures with required specificity for each grant funding source; and facilitate the tracking, reconciliation, and reporting of expenditures to verifiable source documentation.

2. **We recommend that OJP ensure that Beaver County implements policies and procedures to ensure that accounting records accurately reflect grant expenditures made and include periodic documented and verifiable reconciliations.**

OJP agrees with the recommendation. We will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal grant accounting records: accurately reflect actual grant expenditures; are adequately reviewed and approved by management; are periodically reviewed and reconciled by an employee who is independent of the recording process.

3. **We recommend that OJP remedy \$6,839 of unallowable personnel and fringe benefit expenditures.**

OJP agrees with the recommendation. We will coordinate with Beaver County to remedy the \$6,839 in questioned costs, related to unallowable personnel and fringe benefit expenditures that were charged to Grant Number 2011-CZ-BX-0049.

4. **We recommend that OJP remedy \$3,589 in unsupported travel expenditures.**

OJP agrees with the recommendation. We will coordinate with Beaver County to remedy the \$3,589 in questioned costs, related to unsupported travel expenditures that were charged to Grant Number 2012-MO-BX-0020.

5. **We recommend that OJP remedy \$18,604 in unallowable indirect costs.**

OJP agrees with the recommendation. We will coordinate with Beaver County to remedy the \$18,604 in questioned costs, related to unallowable indirect costs that were charged to Grant Numbers 2011-CZ-BX-0049 (\$7,807) and 2012-MO-BX-0020 (\$10,797).

6. **We recommend that OJP remedy \$5,024 in unsupported program matching services for both the ChancesR and the Intercept grants[sic].**

OJP agrees with the recommendation. We will coordinate with Beaver County to remedy the \$5,024 in questioned costs, related to unsupported costs for program matching services that were charged to Grant Numbers 2011-CZ-BX-0049 (\$1,000) and 2012-MO-BX-0020 (\$4,024).

7. **We recommend that OJP ensure that Beaver County implements policies and procedures that facilitate the preparation of FFRs based on complete, accurate, and verifiable supporting documentation.**

OJP agrees with the recommendation. We will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure that future Federal Financial Reports (FFRs) are accurately prepared, and reviewed and approved by management prior to submission; and the supporting documentation is maintained for future auditing purposes.

8. **We recommend that OJP ensure that Beaver County implements policies and procedures that facilitate the preparation of progress reports based on complete, accurate, and verifiable supporting documentation to report grant accomplishments.**

OJP agrees with the recommendation. We will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure that future semi-annual progress reports are accurately prepared, reviewed and approved by management prior to submission, and based on documentation which supports the reported grant accomplishments.

9. **We recommend that OJP ensure that Beaver County accounting system records and any other supplemental recordkeeping system in use meet each grant's requirement to maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.**

OJP agrees with the recommendation. We will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure that its accounting system records, and any other supplemental record-keeping system in use, meet each grant's requirement to maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.

10. **We recommend that OJP ensure that Beaver County grant-funded work is properly identified as contract or consultant work and that appropriate grant compliance standards and requirements are followed.**

OJP agrees with the recommendation. We will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure grant-funded work is properly identified as contract or consultant work, and that appropriate grant compliance standards and requirements are followed.

11. **We recommend that OJP remedy \$62,337 in unallowable costs related to services provided by contractors and consultants.**

OJP agrees with the recommendation. We will coordinate with Beaver County to remedy the \$62,337 in questioned costs, related to unallowable expenditures for services provided by contractors and consultants, that were charged to Grant Numbers 2011-CZ-BX-0049 (\$37,962), 2012-RW-BX-0005 (\$19,307), and 2012-MO-BX-0020 (\$5,068).

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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OJP Executive Secretariat
Control Number IT20150910120325

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 Beaver County, Pennsylvania (Beaver County) and the Office of Justice Programs (OJP). Beaver County's response is incorporated as Appendix 3 of this final report, and OJP's response is included as Appendix 4. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report.

Recommendations:

- 1. Ensure that Beaver County internal accounting and financial controls can accurately account and consistently report grant expenditures with required specificity for each grant funding source, and facilitate the tracking, reconciliation, and reporting of expenditures to verifiable source documentation.**

Resolved. In its response, OJP agreed with the recommendation and said that it would obtain a copy of written policies and procedures to ensure Beaver County establishes an effective internal control system that includes requirements to: accurately account and consistently report federal grant expenditures with required specificity for each grant funding source; and facilitate the tracking, reconciliation, and reporting of expenditures to verifiable source documentation.

Beaver County agreed with the recommendation and acknowledged that additional procedures needed to be included in its policy manual. Beaver County provided copies of revisions to its policy manual designed to enhance existing internal accounting and financial controls that allow for more accurate and consistent reporting of grant expenditures for each award with greater specificity. Moreover, from our review, we determined that the additional procedures, once implemented, should facilitate the tracking, reconciliation, and reporting of grant expenditures to verifiable source documentation.

This recommendation can be closed when we receive documentation demonstrating that the additional procedures included in the updated policy manual have been approved and implemented.

- 2. Ensure that Beaver County implements policies and procedures to ensure that accounting records accurately reflect grant expenditures made and include periodic documented and verifiable reconciliations.**

Resolved. In its response, OJP agreed with the recommendation and said it would obtain a copy of written policies and procedures, developed and implemented, to ensure that federal grant accounting records: (1) accurately reflect actual grant expenditures; (2) are adequately reviewed

and approved by management; and (3) are periodically reviewed and reconciled by an employee who is independent of the recording processes.

Beaver County agreed with the recommendation and acknowledged that additional procedures needed to be included in their policy manual. Officials provided copies of revisions to their policy manual designed to improve the accuracy of their accounting records and document periodic reconciliations between expenditures and accounting records. From our review, we determined that the additional procedures, once implemented, should adequately address this internal control deficiency.

This recommendation can be closed when we receive documentation demonstrating that the additional procedures included in the updated policy manual have been approved and implemented.

3. Remedy \$6,839 of unallowable personnel and fringe benefit expenditures.

Resolved. In its response, OJP agreed with the recommendation and stated that it will work with Beaver County to remedy the \$6,839 of unallowable personnel and fringe benefit expenditures. Based on OJP's agreement with this recommendation, we consider this recommendation resolved.

Beaver County disagreed with the recommendation and said that because the total costs of the position we questioned are less than 10 percent of the total award budget, the position is allowed to be reclassified to an approved budget category without seeking additional approval. In addition, as supporting documentation Beaver County provided a revised supplementary spreadsheet with a period ending date of June 30, 2014. The revised spreadsheet retains the position in both the personnel and the contractor-consultant budget category but does not include any salary in the personnel category for the position we questioned. Beaver County also noted in its response that the questioned position receives a salary without any fringe benefits.

We disagree with Beaver County's response and note that the Grant Expenditure section of our report makes no mention of a budget deviation or a requirement for additional approval to reclassify the position. However, our report does note that the supplementary spreadsheets are important because the spreadsheets, supported by the official accounting records, are used to calculate personnel and fringe benefit expenditures. During the course of the audit we found supplementary spreadsheets that included the questioned position under personnel expenditures, not under the contractor-consultant expenditure budget category. For example, the spreadsheets we were provided with for period ending dates June 30, 2012, and June 30, 2014, included the position under personnel expenditures. The distinction is important because, as we note in our report, Beaver County included this

misclassified position in the personnel cost pool that was used to calculate the 37 percent fringe benefit expenditure charged to the grant.

Beaver County, in its latest supplementary spreadsheet provided with its response, again revised the spreadsheet used to calculate the personnel and fringe benefit expenditure. During the course of our audit, supplementary spreadsheets provided to us supported personnel expenditures charged to a prior award for the questioned position equal to the budgeted amount of the position in the prior award (\$58,669). In the latest revision to the supplementary spreadsheet, Beaver County increased the personnel expenditures allocated for the position to the prior award from \$58,669 to \$80,376. In its response, Beaver County did not note the change in the allocation of personnel expenditures between the two awards nor did they provide an explanation for the change.

This recommendation can be closed when we receive documentation demonstrating that Beaver County remedied the \$6,839 of unallowable personnel and fringe benefit expenditures.

4. Remedy \$3,589 of unsupported travel expenditures.

Closed. In its response, OJP agreed with the recommendation and stated that it will work with Beaver County to remedy the \$3,589 of unsupported travel expenditures.

Beaver County agreed with the recommendation and provided invoices that support the \$3,589 in travel expenditures.

Based on our review of the supporting documentation provided by Beaver County, we consider this recommendation closed.

5. Remedy \$18,604 of unallowable indirect costs.

Resolved. In its response, OJP agreed with the recommendation and stated that it will work with Beaver County to remedy the \$18,604 of unallowable indirect costs. Based on OJP's agreement with this recommendation, we consider this recommendation resolved.

Beaver County disagreed with the recommendation. To support \$7,807 of the indirect costs we questioned as unallowable, Beaver County provided an analysis of the total indirect cost base, the total indirect cost charged to the grant, and the total federal share for the Federal Financial Report (FFR) periods we tested. In its analysis, Beaver County noted the first period incorrectly reported the total federal share on the FFR, the second period correctly reported the total federal share for the period, and the third period corrected the error in the total federal share that occurred in the first period. Although no remarks were provided in the remarks section of the FFR to reflect the initial error and the subsequent correction of the total federal

share, the more detailed analysis demonstrated that \$7,807 of the indirect costs were now supported. As a result we consider these unallowable indirect costs remedied.

Beaver County also disagreed with the remaining \$10,797 in questioned costs resulting from indirect costs calculated based on the total project costs, not the project costs for each quarterly reporting period. In its response, Beaver County acknowledged that three of the four FFRs we identified in our report incorrectly calculated indirect costs for the period. To support its position, Beaver County provided an analysis that in its view demonstrated that the indirect cost payments were not included in the drawdown request and reimbursement and should not have been questioned.

We disagree with Beaver County's response because three of the four FFRs we tested remain inaccurate. Each of the three inaccurate FFRs needs to be corrected to clearly show accurate direct and indirect costs for the period. The revised FFRs should also include support from the official accounting records that identify the expenditures supporting both the direct and indirect costs noted in the revised FFRs.

This recommendation can be closed when we receive documentation demonstrating that Beaver County remedied the remaining \$10,797 of unallowable indirect cost expenditures.

6. Remedy \$5,024 in unsupported program matching services for both the ChancesR and Intercept grants.

Closed. In its response, OJP agreed with the recommendation and stated that it will work with Beaver County to remedy the \$5,024 of unsupported program matching services for the ChancesR and Intercept grants.

Beaver County agreed with the recommendation and provided additional documentation to clarify and support the discrepancies in the program matching services for both grants. In its response, Beaver County noted a difference of \$1,000 in matching services resulted from a flaw in the county's methodology for rounding the expenditure to the nearest \$1,000. Beaver County provided documentation demonstrating that it corrected the flaw in the rounding methodology and the revised calculation resulted in a discrepancy of less than \$1,000. Beaver County provided matching services in excess of the grant requirement and supported that by including invoices demonstrating that total matching services exceeded the discrepancy amount created by the rounding flaw. Lastly, Beaver County provided invoice documentation as support for the remaining \$4,024 in matching services.

Based on our review of the new methodology and the supporting documentation provided by Beaver County, we consider this recommendation closed.

7. Ensure that Beaver County implements policies and procedures that facilitate the preparation of FFRs based on complete, accurate, and verifiable supporting documentation.

Resolved. In its response, OJP agreed with the recommendation and said that it would obtain a copy of Beaver County's written policies and procedures, developed and implemented, to ensure that future Federal Financial Reports (FFRs) are accurately prepared, reviewed, and approved by management prior to submission; and that the supporting documentation is maintained for future auditing purposes.

Beaver County agreed with the recommendation and determined that additional procedures needed to be included in their policy manual. Officials provided copies of revisions to their policy manual designed to facilitate the preparation of complete, accurate, and verifiable FFRs. From our review, we determined that the additional procedures, once implemented, should adequately address this internal control deficiency.

This recommendation can be closed when we receive documentation demonstrating that the additional procedures included in the updated policy manual have been approved and implemented.

8. Ensure that Beaver County implements policies and procedures that facilitate the preparation of progress reports based on complete, accurate, and verifiable supporting documentation to report grant accomplishments.

Resolved. In its response, OJP agreed with the recommendation and said it would obtain a copy of Beaver County's written policies and procedures, developed and implemented, to ensure that semi-annual progress reports are accurately prepared, reviewed, and approved by management prior to submission, and based on documentation that supports the reported grant accomplishments.

Beaver County disagreed with this recommendation. Beaver County stated that it met the targeted number of beneficiaries for its award-funded programs during the specified time period. However, Beaver County said that it did take corrective action regarding the progress reporting issues and that its implementing partners updated their policies and procedures. Although Beaver County disagreed with this recommendation, from our review of documentation that Beaver County developed and provided to its implementing partners, we determined that the additional procedures once implemented should adequately address this internal control deficiency.

This recommendation can be closed when we receive documentation demonstrating that the additional procedures included in the updated policy manual have been approved and implemented.

9. Ensure that Beaver County's accounting system records and any other supplemental record keeping system in use meets each grant's requirement to maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Beaver County to obtain the written policies and procedures, developed and implemented, to ensure that its accounting system records, and any other supplemental record-keeping system in use, meet each grant's requirement to maintain program accounts that enable separate identification and accounting for grant funding by approved budget categories.

In its response, Beaver County agreed with the recommendation and determined that additional procedures needed to be included in their policy manual. Officials provided copies of revisions to their policy manual designed to ensure their accounting system and other supplementary record keeping systems in use meets each grant's identification and accounting requirements.

From our review, we determined that the additional procedures, once implemented, should adequately address this internal control deficiency. This recommendation can be closed when we receive documentation demonstrating that the additional procedures included in the updated policy manual have been approved and implemented.

10. Ensure that Beaver County grant-funded work is properly identified as contract or consultant work and that appropriate grant compliance standards and requirements are followed.

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Beaver County to obtain a copy of written policies and procedures, developed and implemented, to ensure grant-funded work is properly identified as contract or consultant work, and that appropriate grant compliance standards and requirements are followed.

Beaver County disagreed with this recommendation. In the view of Beaver County officials, OJP policy does not address expert advice that may not be related to the scope of work such as accountants and lawyers. Moreover, they believe these types of services could be classified as either consultant or contractor based on the DOJ definitions.

We, too believe that the services provided by the accounting and law firms can be classified as contractual or consulting. However, unlike Beaver County, we believe that the services provided by the firms was within their scope of work. Moreover, the contractual agreement executed by Beaver County with the accounting firm was for accounting and consulting services

to be billed at standard hourly rates that vary based on the degree of responsibility involved and the experience level of the personnel assigned. For the awards we audited, the accounting firm assigned highly experienced staff and billed at a rate that would be at the highest level and equivalent to a Partner or Owner according to the documentation submitted by Beaver County in its response. Similarly, as detailed in its contractual agreement, the services provided by the law firm represent professional legal advice. Lastly, the Accounting Detail report provided by Beaver County in its response cites both firms as consultants. In our judgment, the professional services provided by the accounting firm and the law firm represent consulting agreements. Accordingly, the requirements imposed by the OJP Financial Guide specific to consultants address the need for competitive bidding, sole source justification and advance OJP approval, and conformity with current OJP allowable hourly and daily rate thresholds.

This recommendation can be closed when we receive evidence demonstrating that Beaver County's grant-funded work is properly identified as contract or consultant work and appropriate OJP imposed award compliance standards and requirements have been met.

11. Remedy the \$62,337 in unallowable costs related to services provided by contractors and consultants.

Resolved. In its response, OJP agreed with the recommendation and stated that it will work with Beaver County to remedy the \$62,337 in unallowable costs related to services provided by contractors and consultants.

Beaver County disagreed with the recommendation and said that neither of these firms are consultants because they are providing professional services at fixed rates established by their firms. Beaver County further stated that procurements below the \$150,000 threshold do not need to be openly competed, merely reasonable in costs. It stated that the criteria established by the OJP Financial Guide are based on the principle that compensation for professional services must be reasonable and consistent with rates paid for similar services in the marketplace. In Beaver County's opinion, the rates identified in our report for accounting services, between \$341 and \$360 per hour, and the \$125 per hour rate identified for legal services should be allowable because they meet the criteria established by the OJP Financial Guide.

We disagree with Beaver County's response and note that it incurred consultant or contractor costs, as defined by the OJP Financial Guide, for professional services provided by both the accounting firm and the law firm. Accordingly, the requirements imposed by the OJP Financial Guide specific to consultants apply in this instance. As a result, Beaver County's contractual arrangement with the accounting firm and the law firm must adhere to competitive bidding requirements, sole source justification and advance OJP

approval, and conformity with current OJP allowable hourly and daily rate thresholds.

This recommendation can be closed when we receive documentation demonstrating that Beaver County remedied the \$62,337 of unallowable costs related to professional services provided by the consultants.

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