



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



**Audit of the Office of Justice Programs
Bureau of Justice Assistance
Cooperative Agreement Awarded to
Margolis Healy & Associates, LLC
Burlington, Vermont**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE
COOPERATIVE AGREEMENT AWARDED TO
MARGOLIS HEALY & ASSOCIATES, LLC
BURLINGTON, VERMONT**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General completed an audit of one cooperative agreement, including two supplements awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to Margolis Healy & Associates, LLC (MHA) in Burlington, Vermont. MHA was awarded \$5,854,732 (including two supplements) to fund the National Center for Campus Public Safety with the goal of enhancing and identifying solutions in campus public safety. As of August 2017, MHA had drawn down \$4,476,168 of the total funds awarded.

The objectives of this audit were to determine whether costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether MHA demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of award management: program performance, financial management, expenditures, subrecipient monitoring and expenditures, budget management and control, drawdowns, and federal financial reports.

The primary objectives of the award were to improve information sharing between campus safety professions by maintaining a National Center for Campus Public Safety and a web-based resource center, enhancing the knowledge and capacity of campus safety professionals through training and technical assistance, and increasing campus safety information provided to BJA and the criminal justice community. As a result of our audit testing, we concluded that MHA demonstrated progress towards achieving the stated goals and objectives. For example, since July 2014, the National Center has produced "The Weekly Snapshot", an electronic publication that serves as a source for the latest tips, information, and current campus safety resources. The National Center has disseminated 113 issues of "The Weekly Snapshot" since its creation.

We determined MHA requires significant improvements in its administrative and accounting practices relative to the award, as we found that MHA did not comply with several essential award requirements that we tested. We questioned \$1,356,198 resulting primarily from MHA not requiring full-time employees, who work on award activities, to submit periodic certifications of their time worked on award-funded activities, as required by the OJP Financial Guide. In addition, we found MHA: (1) did not have written procurement policies and procedures that complied with provisions listed in 2 C.F.R 200.318; (2) purchased and procured

equipment, services, and supplies without prior approval; (3) did not require time and attendance sheets for MHA employees who allocated part of their time to the award; (4) approved personnel costs based on budgeted, rather than actual amounts; (5) did not require time and effort reports for consultants; (6) did not have adequate policies and procedures for monitoring subrecipients; (7) disbursed funds to subrecipients based on inadequate documentation; (8) did not have written budget management and control policies; (9) did not record drawdown amounts that were reflected on OJP's payment history report; (10) submitted inaccurate Federal Financial Reports (FFR); and (11) did not have written policies and procedures for preparing FFRs that reflected its current process.

Our report contains 11 recommendations to OJP which are detailed later in this report. Our audit objectives, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with MHA officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from MHA 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.

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The U.S. Department of Justice (DOJ) Office of the Inspector General completed an audit of a cooperative agreement that included two supplements awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to Margolis Healy & Associates, LLC (MHA) in Burlington, Vermont. MHA was awarded \$5,854,732, as shown in Table 1.

Table 1

Cooperative Agreement Awarded to Margolis Healy & Associates, LLC

Award Number	Award Date	Project Start Date	Project End Date	Award Amount
2013-MU-BX-K011	9/3/2013	10/1/2013	9/30/2015	\$2,302,389
Supplement 1	9/9/2014	10/1/2013	9/30/2017	\$1,782,751
Supplement 2	9/15/2015	10/1/2013	9/30/2019	\$1,769,592
Total				\$5,854,732

Source: OJP Grants Management System (GMS)

Funding through the National Center for Campus Public Safety (National Center) supports specific initiatives, such as; training and technical assistance on study abroad safety, mental health crisis training for campus public safety officers, and campus public safety emerging issues forums.¹ The National Center works closely with the public safety agencies serving tribal colleges and universities, and Historically Black Colleges and Universities (HBCUs), to identify and address their unique challenges. The goals of the National Center are to enhance and identify solutions in campus safety through training and the dissemination of information, as well as to act as a clearinghouse for relevant safety information.

Margolis Healy & Associates, LLC

Margolis Healy & Associates (MHA) is a professional services firm specializing in campus safety, security, and regulatory compliance for higher education and grades Kindergarten through 12. MHA provides clients with a variety of specialized services that include, but are not limited to, campus safety and security assessments; Title IX and Clery Act assessments; emergency management risk and hazard assessments; emergency preparedness and crisis response systems and

¹ The National Center facilitates emerging issues forums to convene subject matter experts, practitioners, relevant professional association members, and government agency representatives, in order to devise consensus strategies for successfully addressing identified challenges in specific topic areas.

exercises; implementation of lethal and less-than-lethal force options; litigation consultation; and special investigations/independent reviews.²

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether MHA demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of award management: program performance and accomplishments, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important conditions of the award. The OJP Financial Guide and the award documents contain the primary criteria we applied during the audit.

The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objectives, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

Program Performance and Accomplishments

We reviewed required performance reports, solicitations and documentation, and interviewed MHA officials to determine whether MHA demonstrated adequate progress towards achieving the intended program goals and objectives. We also reviewed progress reports to determine if the required reports were accurate. Finally, we reviewed MHA's compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

According to the award program narrative, the objectives of the award were as follows:

- (1) Maintain a National Center for Campus Public Safety that is a clearinghouse of information and provides resources that will assist campus public safety leaders in their efforts to enhance security and readiness on campus.
- (2) Enhance and promote campus public safety practices by maintaining a web-based resource center with the functionality to receive requests for and deliver technical assistance services.

² The Clery Act is a federal statute that requires colleges and universities, participating in federal financial aid programs, to disclose campus safety information, including crime statistics on or near their campuses.

- (3) Increase the knowledge and capacity of campus safety professionals through training and technical assistance focused on emerging risks to campus safety and security and the development and dissemination of tools and resources.
- (4) Increase information provided to BJA and the criminal justice community.

Based on our review, there were no indications that MHA was not adequately achieving its stated goals and objectives. MHA demonstrated achievement towards accomplishing the abovementioned program goals and objectives through the following accomplishments:

- (1) On September 30, 2014, MHA launched the website for the National Center for Campus Public Safety, which serves as a clearinghouse of information and available resources. The website's content is continuously updated and expanded.
- (2) Between April 1, 2016, and September 30, 2016, National Center staff members and consultants dedicated 585 hours to maintaining, improving, and expanding the content of the website, including the additions of 1,856 new resources to the website.
- (3) Since July 2014, The National Center has produced "The Weekly Snapshot", which is an electronic publication that serves as a source for the latest tips, information, and current campus safety resources. Since its creation, 113 issues have been disseminated. Previously published issues of "The Weekly Snapshot" are archived on the National Center's website.
- (4) Since its inception, The National Center has convened 19 emerging issues forums that bring together subject matter experts, practitioners, relevant professional association members, and Government agency representatives to devise consensus strategies for addressing challenges.

Required Performance Reports

According to the OJP Financial Guide, funding recipients should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in a program solicitation. In order to verify the information in MHA's progress reports, we selected a sample of five performance measures from the two most recent progress reports that were submitted. We then traced the items to supporting documentation maintained by MHA.

Based on our progress report testing, we did not identify any instances where the accomplishments described in the required reports did not match the supporting documentation.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the award. We evaluated the special conditions for the award and selected a judgmental sample of the requirements that are significant to performance under the cooperative agreement and are not addressed in another section of this report. We evaluated 8 of the 38 special conditions that we determined were the most relevant for program performance and accomplishments, within the scope of the award. Based on our sample, we did not identify any instances of MHA violating these additional special conditions we reviewed.

Financial Management

According to the OJP Financial Guide, all recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. Further, recipients must be able to account for the receipt, obligation, and expenditure of funds awarded on an individual basis. The recipient must track and account for funds separately from other OJP awards, as well as other federal agency awards.

To assess MHA's financial management of the award, including all supplements covered by this audit, we reviewed MHA's Single Audit Reports for calendar years 2014 and 2015 to identify internal control weaknesses and significant non-compliance issues related to federal awards.³ We also conducted interviews with MHA's Staff Accountant, examined policy and procedures, and inspected documents to determine whether MHA adequately safeguarded award funds we audited. Finally, we performed testing in the areas that were relevant for the management of the award, as discussed throughout this report. Our testing revealed internal control deficiencies that are explained in more detail in the following sections.

Single Audit Review

We reviewed MHA's 2014 and 2015 Single Audit Reports. The following issues related to DOJ funds were identified in the 2014 Single Audit Report: (1) misallocation of federal funds for shared use costs; (2) inaccurate financial reporting; (3) erroneously labeled drawdowns; (4) lack of reviews of subcontractors/subrecipients for suspension and debarment; (5) incomplete fixed asset register. In response, MHA acknowledged the findings and formulated a corrective action plan. Despite MHA's corrective action plan, the first four issues, listed above, were identified again in the 2015 Single Audit Report. Additionally, an issue related to bank reconciliations not being reviewed and approved was

³ MHA did not receive a single audit for calendar year 2013 because the total amount of federal expenditures did not meet the single audit requirement threshold of \$500,000.

identified in the 2015 Single Audit report, related to DOJ funds. In response, MHA updated accounting policies and procedures and implemented additional review and approval processes.

We evaluated the updated accounting policies and procedures to determine whether MHA adequately addressed the abovementioned single audit findings. Based on our review, it appears MHA's written policies and procedures addressed most of the findings identified in the single audit reports. However, during this audit, we identified unrelated issues regarding FFRs, drawdowns, and subrecipient monitoring. These findings are not related to the issues identified in the 2014 and 2015 Single Audit Reports. Further details of our findings are provided in the respective sections of this report.

Policies and Procedures

According to 2 CFR 200.318, non-federal entities, when utilizing funding from the federal government, are required to establish procedures for the procurement of supplies and other expendable property, equipment, real property, and other services that include, but are not limited to, provisions regarding solicitation, conflicts of interest, and other requirements that must be included in written procurement procedures.

At the time of our audit, MHA's written accounting policies and procedures did not include policies and procedures for the procurement of supplies, services, and equipment. Additionally, MHA's accounting policy did not describe procedures for receiving purchased equipment, supplies, and services, as required by 2 CFR 200.318. An MHA official confirmed that MHA does not have formal policies and procedures related to procurement.

We identified several instances in which employees made purchases without prior approval and maintained incomplete supporting documentation. When expenditures are not properly authorized and not supported, it increases the risk of fraud, waste, and abuse and affects the grantee's ability to accomplish its stated objectives. Therefore, we recommend that OJP require MHA to develop and implement written policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318.

Expenditures

MHA's approved budgets included personnel, fringe benefits, travel, equipment, supplies, contracts and consultants, and other direct costs. To determine whether costs charged to the awards were allowable, supported, and properly allocated, in compliance with award requirements, we tested a sample of transactions. We reviewed supporting documentation and accounting records, and performed verification testing related to award expenditures. Based on this testing, we recommend that OJP remedy \$1,356,198 in questioned costs as unsupported and unallowable. The following sections describe the results of that testing.

Personnel and Fringe Benefits

According to MHA accounting records, between October 1, 2013, and October 31, 2016, MHA spent \$1,209,299 in employee salaries and \$187,612 in fringe benefits. We selected two non-consecutive pay periods for detailed testing to determine if they adhered to award requirements. Based on our review, we found \$1,223,091 in unsupported personnel costs.

According to the OJP Financial Guide, employees who work solely on a single federal award must be supported by periodic certification. These certifications must be prepared at least every 6 months and signed by the employee and supervisory official having firsthand knowledge of the employee's work. We determined that MHA did not require employees who worked full-time on award activities to submit periodic certifications as required by the OJP Financial Guide. As a result, we questioned a total of \$1,135,204 in personnel and fringe benefits, including \$972,884 and \$162,320 respectively.

Where grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made, based on time and/or effort reports (e.g., timesheets). These reports must: (1) reflect an after-the-fact distribution of the actual activity of each employee, (2) account for the total activity for which each employee is compensated, (3) be prepared monthly and coincide with one or more pay periods, and (4) be signed by the employee and approved by a supervisory official having firsthand knowledge of the work performed.

From October 2013 to October 2015, for employees allocating part of their time to award related activities, MHA charged personnel expenditures to the cooperative agreement based on the number of hours, amounts, and percentages approved in the budget. As a result, MHA's invoices did not reflect actual time spent on the award. According to an MHA official, in October 2015, MHA implemented a subsidiary system to track the hours for employees who allocated part of their time to the award.

Between January 1, 2015, and September 31, 2015, although personnel expenditures were based on budgeted amounts, MHA was able to provide, after-the-fact, time and attendance records that substantiated that the number of actual hours spent on award related activities exceeded the number of budgeted hours charged to the award. However, for the period between October 1, 2013, and December 31, 2014, MHA was unable to provide documentation to support the actual time spent by MHA employees on award activities. During that time, MHA charged a total of \$87,887 in personnel expenditures, including \$78,000 for salary and \$9,887 for fringe benefits that they were not able to provide adequate support. Therefore, we questioned a total of \$87,887 in personnel expenditures related to employees who allocated part of their time to the award, as unsupported.

We reviewed MHA's fringe benefits to determine whether the elements were reasonable and in accordance with the approved budgets. We reviewed the fringe benefit that were charged for the same non-consecutive pay periods as the

personnel costs, and determined that the fringe benefit expenditures associated with the personnel costs were reasonable and properly charged to the award.

Lastly, we found that MHA did not have any written policies in place to ensure compliance with the OJP Financial Guide, related to personnel costs and recordkeeping. By not having written policies and procedures for tracking time and effort spent on award activities, MHA increases the risk of not being able to ensure that personnel expenditures are properly supported, as required by the OJP Financial Guide. As a result, we recommend that OJP ensure that MHA develops and implements written policies and procedures to support personnel costs as required by the OJP Financial Guide. We also recommend that OJP ensure that MHA develops and implements written policies and procedures to ensure personnel and fringe benefit costs charged to the awards are based on actual time spent on award-related activities.

Direct Costs

As of October 31, 2016, MHA spent a total of \$2,178,258 in direct costs, excluding personnel and fringe benefits. To determine whether these direct costs were allowable and supported, we selected a judgmental sample of expenditures, reported in MHA's accounting system. To determine whether expenditures were allowable, we compared the expenditures to the approved budgets and permissible uses of funds outlined in the OJP Financial Guide. To determine whether these expenditures were properly supported, we reviewed accounting system data and supporting documents, such as invoices, receipts, and contracts.

Consultants and Contracts

MHA charged a total of \$890,696 in consultant costs. Based on our review of supporting documentation and interviews with MHA officials, we determined MHA did not require consultants to provide adequate documentation to support the work performed and allowed consultants to charge the maximum amount of \$650 per day without proper justification and supporting documentation.

To determine whether consultant expenditures were allowable and supported, we selected 17 expenditures, totaling \$60,512, for testing. We analyzed the expenditures to determine whether consultant invoices were computed correctly, properly authorized, properly supported, and accurately recorded in MHA's accounting records. Based on our review, we found that 13 of the 17 consultant expenditures, totaling \$49,162, lacked detailed time and effort reports that were required by the OJP Financial Guide. Although MHA entered into contracts or similar agreements with consultants that performed services for the award, we could not verify whether consultants provided the agreed upon services since MHA did not require time and effort reports. Instead, to support several consultant expenditures, MHA provided us with MHA travel reimbursement expense forms which included the following; consultant's name, project, location, dates of travel, travel expenditures, and contract fees. MHA also provided us with consultant invoices that lacked sufficient detail of the services provided to support

the related consultant expenditures. By not requiring consultants to submit time and effort reports, we believe it places cooperative agreement award funds at risk and undermines the ability of MHA to adequately administer and manage the award and to ensure that federal funds are being adequately safeguarded and spent in accordance with the cooperative agreement objectives. As a result, we questioned \$49,162 in consultant expenditures as unsupported.

The OJP Financial Guide also requires recipients to have written procurement policies and procedures and conduct all procurement transactions in an open, free, and fair competition, unless recipients can document services are only available from a single source, a true public exigency or emergency exists, or competition is deemed inadequate after unsuccessful competitive bidding. Based on our review, we found that MHA did not have written policies and procedures to ensure that the procurement of its contractor and consultant services was in accordance with the OJP Financial Guide.

According to an MHA official, consultants were hired based on recommendations and specific expertise required for various positions rather than a competitive bidding process. While it appears the consultants may have been qualified, the practices MHA used to hire consultants were not in compliance with the criteria noted above. By not having written policies and procedures, award funds may be at risk of fraud, waste, and abuse. We recommend OJP ensure that MHA develop, implement, and adhere to written procurement policies and procedures to ensure services are procured in a manner consistent with the OJP Financial Guide. We also recommend OJP remedy the questioned costs in the amount of \$49,162 in unsupported consultant expenditures.

Travel, Equipment, and Other Costs

To determine whether travel, equipment, and other costs were allowable and supported, we selected a judgmental sample of 27 expenditures totaling \$180,795. We compared the expenditures to the award budgets and permissible uses of funds, outlined in the OJP Financial Guide, and reviewed accounting system data and supporting documents, such as: invoices, receipts, and contracts to determine whether these expenditures were allowable and supported. During our review, we identified unsupported and unallowable costs totaling \$38,360 and \$11,988, respectively. These costs included equipment, airfare, conference costs, and professional fees.

Specifically, we found the award funded program was charged \$1,013 in office equipment, \$9,136 in other professional fees, \$5,813 in travel, \$11,213 in airfare, \$8,180 in conference and event professional fees, and \$3,005 in general lodging that was not adequately supported. MHA provided us with a credit card statement, correspondence, invoices, and reports to support these expenditures. However, we determined that the documentation lacked sufficient detail to support these expenditures. As a result, we questioned a total of \$38,360 as unsupported costs charged to the award.

In addition, we found \$3,399 in other professional fees and \$7,449 in legal fees, totaling \$10,848, which we determined were unallowable because the fees exceeded the maximum allowable consultant rate. MHA was unable to provide us with written approval from BJA authorizing MHA to exceed the approved rate. We also determined MHA used award funds for \$1,140 for a research paper that was not approved in its budget. As a result, we recommend OJP remedy a total of \$38,360 in unsupported and \$11,988 in unallowable costs.

Subrecipient Monitoring and Expenditures

To determine whether MHA ensured its subrecipients used federal funds in accordance with the OJP Financial Guide and the award terms and conditions, we reviewed subrecipient expenditures and evaluated MHA's subrecipient monitoring activities. As a result of our review, we determined MHA did not have adequate subrecipient monitoring policies and procedures, its oversight was not adequate to ensure compliance, and some of its subrecipient expenditures were not adequately supported.

Subrecipient Monitoring

The OJP Financial Guide requires recipients to have written subrecipient monitoring policies and procedures. Although MHA's accounting policies included language for subrecipient review, we determined that it was inadequate to ensure that subrecipients complied with the OJP Financial Guide. We also assessed MHA's monitoring activities of subrecipients to determine whether MHA's practices were adequate to ensure compliance with the OJP Financial Guide. We assessed MHA's subrecipient monitoring by comparing it to what the OJP Financial Guide identifies as best practices, including agencies should:

- review monthly financial and performance reports;
- perform site visits to examine financial and programmatic records and to observe operations;
- review detailed financial and program data and information (e.g. timesheets, invoices, contracts, and ledgers) submitted by the subrecipient when no site visit is conducted; and
- have regular communication with subrecipients and appropriate inquiries concerning program activities.

Although MHA provided some oversight of its subrecipients by conducting site visits, reviewing progress reports, and periodically meeting with subrecipients, based on our overall assessment, we determined MHA's written subrecipient monitoring policy lacked sufficient detail to ensure compliance with the OJP Financial Guide, and to ensure all of its financial and programmatic responsibilities were fulfilled.

According to MHA's accounting policy, the National Center was responsible for ensuring that subrecipients followed federal guidelines. It was also responsible for spot checking receipts related to subrecipient expenditures. We found that MHA

did not require its subrecipients to provide detailed financial information. Specifically, MHA did not require the submission of underlying payroll information, including time sheets and periodic certifications related to time and effort. However, upon request, MHA was able to obtain this documentation from its subrecipients. By failing to require subrecipients to provide detailed expenditure documentation, MHA cannot be sure that funds are being spent as intended. Additionally, we believe that requiring subrecipients to follow federal guidelines without providing written guidance on how to comply with federal guidelines, is inadequate. Therefore, we recommend OJP ensure MHA develops and implements more robust subrecipient monitoring policies and procedures to be in compliance with the OJP Financial Guide.

Subrecipient Expenditures

MHA charged a total of \$470,572 in subrecipient award expenditures related to the cooperative agreement. We selected four expenditures, totaling \$95,755, for review. To determine whether these expenditures were allowable and supported, we reviewed the documentation MHA collected to support its requests for award funding, which included subrecipient agreements, invoices, and receipts. Based on our review, we identified one expenditure totaling \$13,500 that was not adequately supported with source documentation. Although these expenditures were approved in the subrecipient agreement, we found that MHA reimbursed the subrecipient \$13,500 without adequate source documentation, such as invoices, receipts, and other supporting documentation.

In summary, we determined that MHA's subrecipient monitoring practices were not well designed or effective to ensure compliance with the OJP Financial Guide, and to ensure financial and programmatic responsibilities were fulfilled. Our testing of subrecipient expenditures revealed unsupported costs totaling \$13,500, and we recommend OJP remedy the \$13,500 in questioned costs and ensure MHA develops and implement more robust subrecipient monitoring policies and procedures to ensure subrecipient monitoring is in compliance with the OJP Financial Guide.

Budget Management and Control

According to the OJP Financial Guide, recipients are responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, recipients are required to initiate a Grant Adjustment Notice (GAN) for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount. The following table represents MHA's approved budget for cooperative agreement number 2013-MU-BX-K011, as well as MHA's GAN budget modification.

Table 2
OJP Approved Cooperative Agreement to MHA

Budget Category	2013-MU-BX-K011	Supplement 1	Supplement 2	Cumulative Total	GAN Budget Modification
Personnel	\$724,950	\$314,888	\$1,070,763	\$2,110,601	\$2,063,204
Fringe Benefits	141,867	58,836	146,649	347,352	278,826
Travel	127,520	130,160	29,280	286,960	347,843
Equipment	69,000	-	6,500	75,500	137,453
Supplies	20,700	7,400	3,000	31,100	43,200
Consultants and Contracts	622,885	1,271,467	316,596	2,210,948	2,371,141
Other Costs	595,467	-	196,804	792,271	613,065
Total	\$2,302,389	\$1,782,751	\$1,769,592	\$5,854,732	\$5,854,732

Source: OJP

To determine whether MHA complied with the abovementioned budget management and control requirements, we compared MHA expenditures to the GAN budget modification.⁴ At the time of our audit, cooperative agreement number 2013-MU-BX-K011, was ongoing. Based on our review, we determined that MHA spent funds according to the defined budget categories.

MHA officials provided us with a budget analysis that was used to project the remaining funds, based on its approved budget. Based on MHA's analysis, it appears that the projected spending will remain within the approved budget categories.

While it appears MHA is on track to spend award funds according to the approved budget modification, we found that MHA does not have any formal written policies and procedures to ensure actual expenditures are spent within the allocated amounts, approved in the budget. As a result, we recommend that OJP ensure that MHA develop formal written policies and procedures for monitoring the approved budget.

Drawdowns

According to the OJP Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. Additionally, drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements to be made immediately or within 10 days. As of November 4, 2016, MHA requested \$3,551,457 of the total award amount, totaling \$5,854,732. To assess whether MHA managed receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.

⁴ In April, 2016, MHA submitted a grant adjustment notice (budget modification) to reallocate funds from different budget cost categories to MHA's equipment cost category.

We found that the total drawdown amount recorded in MHA's accounting records and reported as revenue was \$24,636 less than the total drawdown amount reflected on OJP's Payment History Report. According to an MHA official, this discrepancy occurred in 2013, when the beginning balances were set up. At the time of our audit, MHA was unable to reconcile the \$24,636 and identify the associated expenditures to support this drawdown amount. Therefore, we question the \$24,636 in drawdowns that was not reflected in MHA accounting records, as unsupported.

We determined MHA's procedure for drawing down DOJ funds in advance were adequate to ensure funds were spent within 10 days, as required. We determined that the Director of MHA approved all expenditures prior to all MHA related payments. Once the Director approves the expenditure, MHA's staff accountant prepares the drawdown for the amount of the bill, and pays for the expenditure when the funds are received, within seven-to-nine days of the Treasury's deposit into an authorized MHA bank account.

Federal Financial Reports

According to the OJP Financial guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report, as well as cumulative expenditures. To determine whether MHA submitted accurate Federal Financial Reports (FFRs), we compared the four most recent reports to MHA's accounting records.

Prior to December 2015, MHA based its FFRs on its drawdowns rather than its accounting records. According to an MHA official, the Senior Director did not account for the depreciation when preparing FFRs. As a result, MHA's FFRs were not accurate and could not be reconciled to its accounting records. Between January 2016 and June 2016, MHA did not account for depreciation of assets and failed to properly account for program income. To address these deficiencies, MHA changed its procedures to ensure FFRs were prepared using its accounting records. In addition, MHA began accounting for depreciation and program income in subsequent FFRs.

We determined that the updated process that included accounting for depreciation and program income, appears to be reasonable. However, at the time of our audit, these updated procedures were not institutionalized. Therefore, we recommend that OJP ensure that MHA updates and implements policies and procedures that reflect the current process for preparing FFRs.

Program Income

According to the OJP Financial Guide, program income may only be used for allowable program costs and must be spent prior to draw downs. We assessed whether program income was properly reported and used in compliance with the

OJP Financial Guide. Based on our review, we determined that MHA reported program income and used it in accordance with the OJP Financial Guide.

Conclusion

As a result of our audit testing, we concluded that MHA did not adhere to all of the requirements we tested, but demonstrated adequate progress towards achieving its stated goals and objectives. Specifically, we found that the MHA: (1) did not have written procurement policies and procedures that complied with provisions listed in 2 C.F.R 200.318; (2) purchased and procured equipment, services, and supplies without prior approval; (3) did not require full-time employees, who work on award activities, to submit periodic certifications of their time worked on award-funded activities; (4) did not require time and attendance sheets for MHA employees who allocated part of their time to the award; (5) approved personnel costs based on budgeted, rather than actual amounts; (6) did not require time and effort reports for consultants; (7) did not have adequate policies and procedures for monitoring subrecipients; (8) disbursed funds to subrecipients based on inadequate documentation; (9) did not have written budget management and control policies; (10) did not record drawdown amounts that were reflected on OJP's payment history report; (11) submitted inaccurate FFRs; and (12) did not have written policies and procedures for preparing FFRs that reflected its current process. These deficiencies resulted in a total of \$1,360,737 in questioned costs that included \$1,348,749 in unsupported and \$11,988 in unallowable costs.⁵ We provide 11 recommendations to MHA to address these deficiencies.

Recommendations

We recommend OJP:

- 1) Remedy \$1,324,113 in unsupported expenditures resulting from costs associated with: personnel and fringe benefits (\$1,223,091), consultants (\$49,162), travel, equipment, and other direct costs (\$38,360), and subrecipients (\$13,500).
- 2) Remedy \$11,988 in unallowable expenditures resulting from other (\$3,399) and professional fees (\$7,449) that exceeded the maximum allowable consultant rate and an expenditure totaling \$1,140 that was not approved in the budget.
- 3) Remedy \$24,636 in unsupported drawdowns that was not recorded in MHA's accounting records.

⁵ Some costs were questioned for more than one reason. Our audit identified \$4,549 in duplicate questioned costs, resulting in net questioned costs of \$1,356,198.

- 4) Ensure MHA develops and implements written policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318.
- 5) Ensure MHA develops and implements written policies and procedures requiring prior approval for award related expenditures.
- 6) Ensure MHA develops and implements written policies and procedures to support personnel costs as required by the OJP Financial Guide.
- 7) Ensure MHA develops and implements written policies to ensure personnel and fringe benefit costs charged to the awards are based on actual time spent on award-related activities.
- 8) Ensure MHA develops, implements, and adheres to written procurement policies and procedures to ensure services are procured in a manner consistent with the OJP Financial Guide.
- 9) Ensure MHA develops and implements more robust subrecipient monitoring policies to be in compliance with the OJP Financial Guide.
- 10) Ensure MHA develops and implements formal written policies and procedures for monitoring the approved budget.
- 11) Ensure MHA updates its policies and procedures to reflect the current process for preparing FFRs.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this audit were to determine whether costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether MHA demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of award management: program performance and accomplishments, financial management, expenditures, subrecipient monitoring and expenditures, budget management and control, drawdowns, and federal financial reports.

Scope and Methodology

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

This was an audit of cooperative agreement number 2013-MU-BX-K011, awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), to Margolis Healy & Associates, LLC. As of August 2017, MHA had drawn down \$4,476,168 of the total funds awarded. Our audit concentrated on, but was not limited to October 1, 2013, the award start date for the cooperative agreement, through June 2017, including all supplements. As of the audit, the award was ongoing.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of MHA's activities related to the audited award. We performed sample-based audit testing for cooperative agreement expenditures, including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the award, to include all supplements reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. We also reviewed MHA's Single Audit Reports for fiscal years 2014 and 2015. The OJP Financial Guide and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System (GMS), as well as MHA's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems

as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS ⁶ :	AMOUNT	PAGE
Unsupported Personnel & Fringe Benefits	\$ 1,223,091	6
Full-Time Personnel	1,135,204	6
Part-Time Personnel	87,887	7
Unsupported Consultant Expenditures	49,162	7
Unsupported Expenditures	38,360	8
Unsupported Subrecipient Reimbursements	13,500	10
Unsupported Drawdowns	24,636	12
Total Unsupported Costs	\$ 1,348,749	
Total Unallowable Costs	\$ 11,988	8

<i>GROSS QUESTIONED COSTS</i>	\$1,360,737	
<i>LESS DUPLICATION⁷</i>	(4,539)	
NET QUESTIONED COSTS:	\$1,356,198	

⁶ **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.

⁷ These costs relate to identical expenditures—though questioned for separate reasons—and as a result, that portion of questioned costs is duplicated. We reduced the amount of gross questioned costs by the amount of this duplication to identify net questioned costs.

APPENDIX 3

MARGOLIS HEALY RESPONSE TO THE DRAFT AUDIT REPORT⁸



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September 15, 2017

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

Dear Mr. Puerzer:

Thank you for the opportunity to respond to the Audit Report. While we are pleased by the confirmation that we have responsibly managed federal resources within budget to successfully achieve the grant's goals, we are disappointed by the easily rectified policy related administrative shortfalls outlined in the OIG Audit Report. In spite of ongoing efforts to educate ourselves to the many procedural regulations in the OJP Financial Guide, we missed policy components that we have addressed.

We are confident that we have successfully explained and responded to the concerns outlined in the OIG's audit, and that our response will quell any concerns. When the auditors were on-site, and again on the July 13 findings call, they stated: *"...there were no indications that MHA was not adequately achieving its stated goals and objectives. MHA demonstrated achievement towards accomplishing the... program goals and objectives."* Throughout the Audit Report, the auditors acknowledged that MHA staff were adhering to federal regulations as related to the spending of federal financial resources, *"Based on our review, we determined that MHA spent funds according to the defined budget categories."*

All federal monies are appropriately accounted for, and the issues outlined in the Audit Report have resulted in updates and changes to our policies and practices. While we have substantively complied with regulations in the administration of the National Center, we acknowledge the identified shortcomings and remain steadfast in our commitment to the administrative rules and regulations of the Office of Justice Programs.

Below and attached, please find our response to the OIG Audit issued 25 August 2017 outlining Margolis, Healy & Associates, LLC (Margolis Healy or MHA) position on the recommendations and the corrective action plan and revised policies in response thereto.

- 1) Remedy \$1,324,113 in unsupported expenditures resulting from costs associated with: personnel and fringe benefits (\$1,223,091), consultants (\$49,162), travel, equipment, and other direct costs (\$38,360), and sub-recipients (\$13,500).**

⁸ Attachments referenced in this response were not included in this final report.

Response

- a. **Concurrence.** Related to personnel & fringe benefits (\$1,223,091), we have gathered the necessary documentation to ameliorate the concerns outlined in the Audit Report. We have revised our policies to support personnel costs as required by the OJP Financial Guide. The new policy includes a semi-annual certification for time and effort reporting for employees assigned full-time to the NCCPS, and a monthly certification for employees who dedicate only a portion of their effort to the NCCPS. Upon being made aware of this requirement by the auditors, we initiated a process for documenting and certifying full-time employees' time on a semi-annual basis. We have retroactively certified (and are certifying) full-time employees' time in a manner suggested by the auditors. We have accounted for the \$1,223,091 through this certification process. These certifications can be found in the box folder that was shared with auditors. The box folder link was previously provided to the auditors and is available upon request.
- b. **Concurrence/Non-concurrence.** MHA has revised and expanded its' sub-recipient monitoring protocol. See Action Item 4 for additional response. Revised policies attached (pages 8-11)
- c. **Concurrence.** Regarding consultants (\$49,162), we changed the invoice instructions requiring consultants to indicate time and effort after being made aware of this issue. We reasonably believed that the invoices and the work product delivered by these consultants (and by inference, the NCCPS) under supervision by Center staff was reasonable proof that the consultants delivered the agreed upon services. We did not understand that a time and effort report was the preferred validation of their efforts. Consultants are now required to submit time and effort reports, and we have gone back to applicable consultants to update their invoices with this information when reasonable to do so.
- d. **Non-concurrence.** Regarding Travel, Equipment and other Direct Costs (\$38,360), we have full supporting documentation for the related expenses listed in the Audit Report. We are unclear as to why the auditors classified these expenses as unsupported. The auditors acknowledged that we provided "...credit card statements, correspondence, invoices and reports to support these expenditures." They did not provide guidance as to what would be sufficient detail for our records to have been accepted, nor have we been able to find such information in any of the federal guidelines and regulations. Further detail from OIG on this point is appreciated in order to help us provide the appropriate documentation. See Action Item #3 below.

ACTION ITEMS

1. *MHA has obtained, and will continue to obtain, certification documents from employees attesting to the accuracy of staff time and effort, which can be found in the aforementioned box folder (\$1,223,091);*
2. *MHA will submit a written request to OJP for a final determination regarding the allowability of applicable costs, and seek retroactive approval for the questioned amounts for consultants (\$49,162);*
3. *Relating to travel, equipment, and other direct costs (\$38,360), in instances outlined below, we respectfully request clarification as to what would count as sufficient detail to satisfy OIG.*

- a. *Office equipment \$1,013: we have records associated with the purchase of this multi-media projector;*
 - b. *Professional fees \$9,136: we will require a breakdown from the auditors in order to provide matching records. We have invoices and related records supporting these expenses;*
 - c. *Travel \$5,813: we provided the auditors detailed supporting documentation regarding travel in the shared box folder titled "line 10 and 11 Clery.pdf";*
 - d. *Airfare \$11,213: we will require a breakdown from the auditors in order to provide matching records. We have invoices and related records supporting these expenses;*
 - e. *Conference and event professional fees \$8,180: On April 19, 2017, we provided the auditors detailed, supporting documentation regarding the HBCU conference expenses in the shared box folders titled "line 12 HBCU 2015 supporting documents.pdf" and "line 12 HBCU DC Clery Agenda 072115.xlsx";*
 - f. *General lodging \$3,005: we will require a breakdown from the auditors in order to provide matching records. We have invoices and related records supporting these expenses.*
4. *Regarding sub-recipients (\$13,500, Clery Center), on April 25, 2017 we provided the auditors detailed, supporting documentation regarding time and effort for administrative services for project management fees in the shared box folder titled "line 10 Clery.pdf" and "line 10 and 11 Clery.pdf." If these documents do not provide sufficient detail, we respectfully request guidance on what is required to satisfy OIG needs.*
- 2) **Remedy \$11,988 in unallowable expenditures resulting from other (\$3,399) and professional fees (\$7,449) that exceeded the maximum allowable consultant rate and an expenditure totaling \$1,140 that was not approved in the budget.**

Response

a. Legal Fees (\$7,449)

Concurrence. These expenditures were for legal services from the staff attorney. The cost/expense for Margolis Healy positions shared with the NCCPS grant were listed as a percentage of their time when the original grant budget was approved and awarded. As such, we understood that this was an approved expense. We were not aware that legal fees needed to be under \$81.25/hour, but now understand this requirement and associated policy modifications have been made. In retrospect, we would have been unable to secure the necessary legal advice for the NCCPS at such a rate. By assigning a percentage of our staff attorney's time to the National Center in accordance with the approved budget, our interpretation is that we were being cost effective, prudent and efficient with limited federal financial resources and that it satisfies the guidance in CFR §200.404 regarding reasonable rates.

b. Web Developer (\$3,399)

Concurrence. The National Center was intended to be a virtual resource. Expenses to create the web site were accrued in accordance with the approved budget. We were unaware of any requirement to request advance permission to accrue these approved

expenses. It was our understanding that this budget approval met the pre-approval requirement, and now understand this requirement and have made associated policy modifications.

c. \$1,140 Expenditure

Non-concurrence. During the onsite, Margolis Healy provided supporting documentation to the auditors that explained that this expenditure was an accounting error and that it had been removed from the grant account. We provided proof to OIG that these expenses were denied by the Director for the National Center. Monies were reimbursed earlier this year when it was discovered that the issue had not been rectified. This documentation was provided in the shared box folder, titled "Line 23 SSI email.pdf" added on April 19, 2017.

NOTE: Social Sentinel IS NOT a subsidiary of Margolis Healy, and we respectfully request the OIG correct this factual error in the final audit report.

ACTION ITEM

5. MHA will submit a written request to OJP for a final determination regarding the allowability of the legal and web developer costs given earliest guidance provided by BJA and budget approval assumptions. We will seek retroactive approval for the amounts in question;
6. MHA has revised its policy regarding the payment of consultant rates to reflect the guidance in the 2015 DOJ grant financial guide. Revised policy attached (page 13).
7. Please correct factual inaccuracy in the final Audit Report regarding Social Sentinel. Social Sentinel, Inc. is NOT a subsidiary or affiliate of Margolis Healy & Associates, LLC.

3) Remedy \$24,636 in unsupported drawdowns that was not recorded in MHA's accounting records.

Response

Concurrence. In the initial/start-up phase of the National Center, Margolis Healy was developing an accounting classification system and errors were made. Financial records had to be transferred from the original system to QuickBooks (current system) and in that transition, classification errors were made. These errors have been rectified, and a detailed explanation of those errors and corrections are provided below. The auditors were made aware of this during the onsite.

In the OIG Audit Report, they cite \$24,636 in unsupported drawdowns. This figure comes from drawdowns in 2013, which occurred at the start of the Center. No income statement was prepared in 2013 and as a result, the drawdown amounts totaling \$43,929.73 were not reflected in grant income on the general ledger.

MHA General Ledger	\$	3,526,821	(A)
Grants Reporting Module		3,551,457	(B)
Amount Cited in Audit Report as Unsupported Drawdowns		24,636	(A)-(B)=(C)

To reconcile MHA's General Ledger to the total amount drawn down in the grants reporting module, first we must add in the drawdowns from 2013 (before the accounting system established) and make corrective adjustments to MHA's general ledger.

2013 Drawdowns

Date	Amount	Expense
11/25/2013	\$ 19,158	Office Security Deposit
12/2/2013	\$ 1,000	
12/17/2013	\$ 23,772	
2013 Drawdowns	\$ 43,930	(D)

Adjustments

Quickbooks Error	\$ (21,000)	Initial Classification Error
Invoice 161	1,030	Amount Drawn Down in Error
Invoice 162	1,032	Amount Drawn Down in Error
Invoice 182	(356)	Amount Drawn Down in Error
Total Adjustments	(19,294)	(E)

After adding in the drawdowns from 2013 and making appropriate accounting adjustments, MHA's internal GL reconciles to the Grants Reporting Module.

MHA General Ledger	\$ 3,526,821	(A)
2013 Drawdowns	43,930	(D)
Adjustments	(19,294)	(E)
	\$ 3,551,457	(A)+(D)+(E)=(B)

- 4) Ensure MHA develops and implements written policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318.

Concurrence. MHA has revised its policy regarding the procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318. Revised policy attached (Pages 3-8).

- 5) Ensure MHA develops and implements written policies and procedures requiring prior approval for award related expenditures.

Concurrence. Revised and expanded policy attached (Page 3).

- 6) Ensure MHA develops and implements written policies and procedures to support personnel costs as required by the OJP Financial Guide.

Concurrence. MHA has added language to its policy in order to ensure that it is compliant with the OJP Financial Guide. Policy attached (Page 12).

- 7) Ensure MHA develops and implements written policies to ensure personnel and fringe benefit costs charged to the awards are based on actual time spent on award-related activities.

Concurrence. MHA has added language to its policy in order to ensure that it is compliant

with the OJP Financial Guide. Policy attached (Page 12).

8) Ensure MHA develops, implements, and adheres to written procurement policies and procedures to ensure services are procured in a manner consistent with the OJP Financial Guide.

Concurrence. MHA has added language to its policy in order to ensure that it is compliant with the OJP Financial Guide. Policy attached (Pages 3-8).

9) Ensure MHA develops and implements more robust subrecipient monitoring policies to be in compliance with the OJP Financial Guide.

Concurrence. MHA has added language to its policy in order to ensure that it is compliant with the OJP Financial Guide. Policy attached (Pages 9-11).

10) Ensure MHA develops and implements formal written policies and procedures for monitoring the approved budget.

Concurrence. MHA has added language to its policy in order to ensure that it is compliant with the OJP Financial Guide. Policy attached (Page 2).

11) Ensure MHA updates its policies and procedures to reflect the current process for preparing FFRs.

Concurrence. MHA has added language to its policy in order to ensure that it is compliant with the OJP Financial Guide. Policy attached (Page 14).

In conclusion, we want to again confirm to the Department that we believe we have successfully explained and responded to the concerns outlined in the OIG's audit. We want to also restate our commitment to adhering to our newly finalized policies and ensuring we have the appropriate procedures in place to fully comply with OJP guidelines. As noted by the auditors during on-site visit, and again during the July 13 findings call, they believe "...there were no indications that MHA was not adequately achieving its stated goals and objectives. MHA demonstrated achievement towards accomplishing the... program goals and objectives."

To further enhance our ability to comply with all applicable guidelines, we will ensure that all staff responsible for administering the National Center grant funding will attend training/re-training on the OJP Financial Guide and related federal regulations within 90-days of the publication of the Final Audit Report.

For further questions, clarifications, or documentation, please contact Kim Richmond, NCCPS Executive Director, at (802) 861-1397, or Clarence Davis, MHA Chief Operating Officer, at (802) 861-1423.

Sincerely,

Steven J. Healy

Steven J. Healy
Chief Executive Officer
Margolis Healy

Kim Richmond

Kimberly Richmond
Executive Director
The National Center for Campus
Public Safety

Attachment:

NCCPS Procurement and Financial Policies

CC:

US Department of Justice
Office of Justice Programs
Office of Audit, Assessment and Management
Audit Review Division
Attention: Linda J. Taylor
810 7th Street, NW
Washington, DC 20532
Email: Linda.Taylor2@usdoj.gov

US Department of Justice
Bureau of Justice Assistance
David Adams, Program Manager

APPENDIX 4

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

September 20, 2017

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

FROM: /s/
Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance, Cooperative Agreement Awarded to Margolis Healy & Associates, LLC, Burlington, Vermont*

This memorandum is in reference to your correspondence, dated August 25, 2017, transmitting the above-referenced draft audit report for Margolis Healy & Associates, LLC (MHA). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **11** recommendations and **\$1,356,198⁹** in net 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 OJP's response.

- 1. We recommend that OJP remedy \$1,324,113 in unsupported expenditures resulting from costs associated with: personnel and fringe benefits (\$1,223,091); consultants (\$49,162); travel, equipment, and other direct costs (\$38,360); and subrecipients (\$13,500).**

OJP agrees with this recommendation. We will review the \$1,324,113 in unsupported costs that were charged to cooperative agreement number 2013-MU-BX-K011, and work with MHA to remedy, as appropriate.

⁹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

2. **We recommend that OJP remedy \$11,988 in unallowable expenditures resulting from other (\$3,399) and professional fees (\$7,449) that exceeded the maximum allowable consultant rate and an expenditure totaling \$1,140 that was not approved in the budget.**

OJP agrees with this recommendation. We will review the \$11,988 in questioned costs charged to cooperative agreement number 2013-MU-BX-K011, related to unallowable expenditures associated with other (\$3,399) and professional fees (\$7,449) that exceeded the maximum allowable consultant rate, and additional costs that were not approved in the budget (\$1,140), and work with MHA to remedy, as appropriate.

3. **We recommend that OJP remedy \$24,636 in unsupported drawdowns that were not recorded in MHA's accounting records.**

OJP agrees with this recommendation. We will review the \$24,636 in questioned costs charged to Cooperative Agreement Number 2013-MU-BX-K011, related to unsupported drawdowns that were not recorded in MHA's accounting records, and work with MHA to remedy, as appropriate.

4. **We recommend that OJP ensure MHA develops and implements written policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318.**

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, for the procurement and receipt of supplies and equipment, to ensure that their policies comply with 2 CFR 200.318.

5. **We recommend that OJP ensure MHA develops and implements written policies and procedures requiring prior approval for award-related expenditures.**

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it requires prior approval for award-related expenditures.

6. **We recommend that OJP ensure MHA develops and implements written policies and procedures to support personnel costs as required by the *DOJ Grants Financial Guide*.**

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it maintains supporting documentation for personnel costs, in accordance with the Department of Justice (DOJ) Grants Financial Guide.

7. **We recommend that OJP ensure MHA develops and implements written policies to ensure personnel and fringe benefit costs charged to the awards are based on actual time spent on award-related activities.**

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that personnel and fringe benefit costs, charged to Federal awards, are based on the actual time spent working on award-related activities.

8. **We recommend that OJP ensure MHA develops, implements, and adheres to written procurement policies and procedures to ensure services are procured in a manner consistent with the *DOJ Grants Financial Guide*.**

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that services are procured in a manner consistent with the *DOJ Grants Financial Guide*.

9. We recommend that OJP ensure MHA develops and implements more robust subrecipient monitoring policies to be in compliance with the *DOJ Grants Financial Guide*.

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it revises its subrecipient monitoring policies to be in compliance with the *DOJ Grants Financial Guide*.

10. We recommend that OJP ensure MHA develops and implements formal written policies and procedures for monitoring the approved budget.

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it monitors and adheres to the approved budgets for Federal awards.

11. We recommend that OJP ensure MHA updates its policies and procedures to reflect the current process for preparing Federal Financial Reports.

OJP agrees with the recommendation. We will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it documents and consistently follows the process for accurately preparing Federal Financial Reports.

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: Maureen A. Henneberg
Deputy Assistant Attorney General
for Operations and Management

Lara Allen
Senior Advisor
Office of the Assistant Attorney General

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

Tracey Trautman
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Silas V. Darden
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cc: Leigh A. Benda
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Richard P. Theis
Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20170825143839

APPENDIX 5

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

The Office of the Inspector General (OIG) provided a draft of this audit report to Margolis Healy & Associates, LLC (MHA) and the Office of Justice Programs (OJP). MHA's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP concurred with our recommendations and, as a result, the status of the audit is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Remedy \$1,324,113 in unsupported expenditures resulting from costs associated with: personnel and fringe benefits (\$1,223,091), consultants (\$49,162), travel, equipment, and other direct costs (\$38,360), and subrecipients (\$13,500).**

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will work with MHA to remedy the \$1,324,113 in unsupported costs that were charged to cooperative agreement number 2013-MU-BX-K011.

In its response, MHA concurred with our recommendation to remedy unsupported expenditures resulting from costs associated with: personnel and fringe benefits (\$1,223,091), consultants (\$49,162), and subrecipients (\$13,500). However, MHA did not agree with our recommendation to remedy unsupported expenditures resulting from costs associated with travel, equipment, and other direct costs (\$38,360).

In its response, MHA provided certifications that were created in direct response to our draft audit report, as no contemporaneous documentation existed during our audit that adequately documented personnel costs as required by the OJP Financial Guide. MHA created certifications that its full-time and part-time employees worked the applicable hours to account for \$1,223,091 in personnel costs, which was the total amount of our questioned costs for this recommendation. In reviewing the certifications for its part-time employees, totaling \$87,887, we compared the number of hours that were reported on the after-the-fact certifications to MHA's subsidiary record keeping system and found several instances where the number of hours worked did not reconcile between the two sets of data. We also performed this testing on the personnel costs related to the full-time employees, totaling \$1,135,204. While the documentation appears to cover the periods we tested during our fieldwork, additional documentation is needed to demonstrate that the documentation provided is consistent with what will be used for current and future personnel charges and that the charges are

consistently applied across funding sources and are allocable to the grant. As a result, this portion of the recommendation remains resolved.

In its response MHA stated it has or already provided documentation to support the unsupported travel, equipment, and other costs, and that it had requested clarification as to what would count as sufficient detail to satisfy the OIG. During our audit, we explained the different types of source documentation that would support these expenditures, such as invoices, time and effort reports, or documentation that provides an appropriate audit trail from invoice through documentation of payment made.

Regarding the documentation that MHA stated it previously provided, MHA provided a credit card statement as support for the office equipment totaling \$1,013, but such documentation does not provide sufficient detail regarding the expenditure. In addition, MHA did not provide us with an invoice for this expenditure. For other professional fees totaling \$9,136, MHA provided invoices that lacked sufficient detail, such as time and effort reports for the services provided. For consultant travel totaling \$5,813, MHA did not provide the underlying source documentation that we requested. Instead, MHA provided detailed accounting records that consisted of other expenses that we were unable to attribute to the abovementioned costs. For airfare totaling \$11,213, we also received accounting records that did not adequately support these costs. For conference and event professional fees totaling \$8,180, MHA provided us underlying support, but the support did not match the invoice that had been submitted to MHA. We also requested underlying support for lodging costs, totaling \$3,005. MHA provided us with a list of attendees to support these costs. We determined that this list alone was not sufficient to support the lodging costs because it did not include hotel invoices. As a result, we questioned the abovementioned charges as unsupported.

This recommendation can be closed when OJP remedies the \$1,324,113 in unsupported expenditures.

2. Remedy \$11,988 in unallowable expenditures resulting from other (\$3,399) and professional fees (\$7,449) that exceeded the maximum allowable consultant rate and an expenditure totaling \$1,140 that was not approved in the budget.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will review the \$11,988 in questioned costs charged to cooperative agreement number 2013-MU-BX-K011 related to unallowable expenditures associated with other and professional fees that exceeded the allowable consultant rate, and additional costs that were not approved in the budget, and work with MHA to remedy, as appropriate .

In its response, MHA concurred with our recommendation to remedy unallowable expenditures resulting from other (\$3,399) and professional fees

(\$7,449) that exceeded the maximum allowable consultant rate. MHA did not agree with our recommendation regarding an expenditure totaling \$1,140 that was not approved in the budget. MHA stated it provided the OIG with an explanation concerning the accounting error and documentation to support that it had been removed from the grant account. On April 29, 2017, the OIG received documentation to support MHA's assertion that the aforementioned issue was identified by the Director for the National Center. However, MHA did not provide us with documentation that demonstrates that this issue was remedied in MHA's accounting records. Therefore, we continue to question the \$1,140 for a research paper that was not approved in the budget as unallowable.

This recommendation can be closed when OJP remedies the \$11,988 in unallowable expenditures. This includes \$1,140 that can be closed when we receive documentation demonstrating that MHA's error was corrected in its accounting records.

3. Remedy \$24,636 in unsupported drawdowns that was not recorded in MHA's accounting records.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will review the \$24,636 in questioned costs charged to cooperative agreement number 2013-MU-BX-K011, related to unsupported drawdowns that were not recorded in MHA's accounting records, and work with MHA to remedy, as appropriate.

In its response, MHA concurred with our recommendation to resolve the \$24,636 in unsupported drawdowns. In its response, MHA stated that, in the start-up phase of the National Center, errors were made when developing an accounting classification system. MHA stated that the errors have been rectified and provided a detailed explanation of the process used to resolve the \$24,636 in unsupported drawdowns. However, MHA did not provide evidence of the adjustments, and we therefore continue to question these costs.

This recommendation can be closed when OJP provides evidence to remedy the \$24,636 in questioned costs. This evidence may include adequate documentation to support that MHA's accounting records were corrected.

4. Ensure MHA develops and implements written policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain policies and procedures, developed and implemented, for the procurement and receipt of supplies and equipment, to ensure that their policies comply with 2 CFR 200.318.

In its response, MHA concurred with our recommendation to develop and implement written policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318. MHA provided us with a copy of its revised policies and procedures to address this recommendation. We reviewed the policy and procedures and determined it adequately addresses our recommendation specific to developing policies and procedures for procurement and receipt of supplies and equipment, in accordance with 2 CFR 200.318. However, absent evidence of implementation, this recommendation remains resolved.

This recommendation can be closed when we receive documentation demonstrating that revised policies and procedures for the procurement and receipt of supplies and equipment have been implemented.

5. Ensure MHA develops and implements written policies and procedures requiring prior approval for award related expenditures.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures requiring prior approval for award related expenditures.

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. However, MHA did not provide documentation demonstrating that the policies and procedures have been implemented.

This recommendation can be closed when we receive documentation demonstrating that its revised policies and procedures requiring prior approval for award related expenditures have been implemented.

6. Ensure MHA develops and implements written policies and procedures to support personnel costs as required by the OJP Financial Guide.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it maintains supporting documentation for personnel costs, in accordance with the Department of Justice (DOJ) Grants Financial Guide.¹⁰

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. MHA also provided copies of certifications of hours worked for its full-time and part-time employees. With the documentation provided, we believe that MHA has taken steps to adequately remedy this

¹⁰ The provisions of the DOJ Grants Financial Guide apply to Department of Justice awards made after December 26, 2014.

recommendation. However, because the documentation provided was limited to the periods during our review and not recent periods, we believe MHA has not demonstrated the implementation of its newly created policies and procedures to support its personnel costs.

This recommendation can be closed when MHA provides documentation demonstrating the implementation of its revised policies and procedures to support personnel costs.

7. Ensure MHA develops and implements written policies to ensure personnel and fringe benefit costs charged to the awards are based on actual time spent on award-related activities.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that personnel and fringe benefits costs, charged to Federal awards, are based on the actual time spent working on award related activities.

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. We reviewed the policies and procedures and determined they adequately addresses our recommendation. MHA also provided after-the-fact certifications for time spent on the award by full-time and part-time employees, for the period we reviewed. However, MHA did not provide certifications for individuals currently working on the award funded program, but instead provided certifications that it created in an effort to address Recommendation 1. Such records do not demonstrate implementation of the revised policies and procedures for future personnel charges.

This recommendation can be closed when we receive documentation demonstrating that its revised policies and procedures have been implemented to ensure future personnel and fringe benefit costs charged to the awards are based on actual time spent on award-related activities.

8. Ensure MHA develops, implements, and adheres to written procurement policies and procedures to ensure services are procured in a manner consistent with the OJP Financial Guide.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that services are procured in a manner consistent with the DOJ Grants Financial Guide.

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. However, MHA did not provide documentation demonstrating that these policies have been implemented.

This recommendation can be closed when we receive documentation demonstrating that its revised policies and procedures have been implemented to ensure services are procured in a manner consistent with the OJP Financial Guide.

9. Ensure MHA develops and implements more robust subrecipient monitoring policies to be in compliance with the OJP Financial Guide.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it revises its subrecipient monitoring policies to be in compliance with the DOJ Grants Financial Guide.

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. We reviewed the documentation and determined it partially addresses our recommendation. However, MHA did not provide documentation demonstrating that these policies have been implemented.

This recommendation can be closed when we receive documentation demonstrating that its revised subrecipient monitoring policies and procedures have been implemented to ensure compliance with the OJP Financial Guide.

10. Ensure MHA develops and implements formal written policies and procedures for monitoring the approved budget.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it monitors and adheres to the approved budgets for Federal awards

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. However, MHA did not provide documentation demonstrating that the policies and procedures have been implemented.

This recommendation can be closed when we receive documentation demonstrating that its revised policies and procedures have been implemented for monitoring the approved budget.

11. Ensure MHA updates its policies and procedures to reflect the current process for preparing FFRs.

Resolved. OJP concurred with our recommendation. In its response, OJP stated it will coordinate with MHA to obtain written policies and procedures, developed and implemented, to ensure that it documents and consistently follows the process for accurately preparing Federal Financial Reports.

In its response, MHA concurred with our recommendation and provided us with a copy of its revised policies and procedures to address this recommendation. We reviewed the documentation and determined it partially addresses our recommendation.

This recommendation can be closed when we receive documentation demonstrating that its revised policies and procedures have been developed and implemented to reflect the current process for preparing FFRs.

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