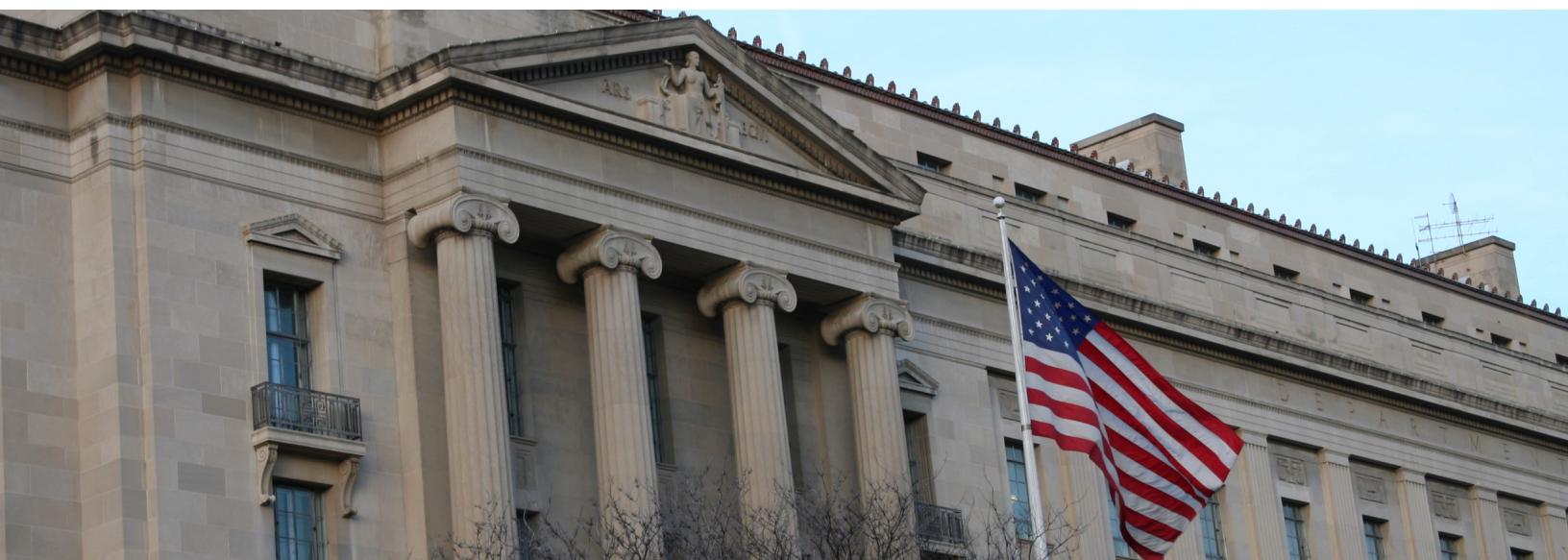




Office of the Inspector General

U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the Office of Justice Programs Cooperative Agreement Awarded to the American Indian Development Associates, LLC Albuquerque, New Mexico



Executive Summary

*Audit of the Office of Justice Programs Cooperative Agreement
Awarded to the American Indian Development Associates, LLC
Albuquerque, New Mexico*

Objectives

The Office of Justice Programs (OJP) awarded the American Indian Development Associates, LLC. (AIDA) a cooperative agreement, including supplements, totaling \$1,325,843 for the Effective Methods to Assess Exposure to Violence and Victimization Among American Indian and Alaskan Native Youth. 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 the recipient demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that there were no indications that AIDA was not adequately achieving the stated goals and objectives of the award. However, we found that AIDA did not comply with essential award conditions related to the use of award funds.

Specifically, we found that AIDA charged unallowable and unsupported personnel and contractor and consultant costs to the award. We also identified a financial management issue related to the allocation of costs to the award. As a result of these deficiencies, we identified \$55,717 in questioned costs. Consequently, AIDA made an adjusting entry to remove the questioned costs from its general ledger for the award. However, AIDA still needs to submit a corrected federal financial report (FFR) reflecting the adjusted award expenditures and ensure that drawdowns are adjusted accordingly.

Recommendations

Our report contains two recommendations to OJP to remedy the questioned costs and assist AIDA in improving its award management and administration. We discussed the results of our audit with AIDA officials and have included their comments in the report, as applicable. We requested a response to our draft report from AIDA and OJP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

Audit Results

The purpose of the award we reviewed was to develop and test a process for collecting self-reported data on American Indian and Alaskan Native youth violence and victimization. The audit period for the award was from September 2014 through November 2017. AIDA drew down a cumulative amount of \$576,511 for the award we reviewed.

Program Performance and Accomplishments - We reviewed AIDA's stated accomplishments for the award and found no indications that it was not on track toward achieving the program goals.

Personnel Costs - We determined that AIDA's methodology for allocating personnel costs resulted in excess salary and fringe benefit costs charged to the award. As a result, we identified \$53,306 in excess unallowable salaries and fringe benefit costs charged to the award.

Contractor and Consultant Costs - We identified \$1,575 in unsupported costs related to payments made to consultants for time that was not worked, and \$836 in unallowable costs related to consultant mileage costs for personal travel and contract accounting costs unrelated to the award.

Other Direct Costs - We found that AIDA did not have a reasonable and consistent method for allocating rent, communication, technology, and printing costs to the award. As a result of our audit, AIDA developed and implemented new policies and procedures to ensure that costs are allocated to the award using a consistent and reasonable methodology. Therefore, we are not making a recommendation related to this issue.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
COOPERATIVE AGREEMENT AWARDED TO THE
AMERICAN INDIAN DEVELOPMENT ASSOCIATES, LLC
ALBUQUERQUE, NEW MEXICO**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
COOPERATIVE AGREEMENT AWARDED TO THE
AMERICAN INDIAN DEVELOPMENT ASSOCIATES, LLC
ALBUQUERQUE, NEW MEXICO**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of a cooperative agreement, including two supplements, awarded by the Office of Justice Programs (OJP) National Institute of Justice (NIJ) to American Indian Development Associates, LLC, (AIDA) in Albuquerque, New Mexico. AIDA was awarded a cooperative agreement totaling \$1,325,843, as shown in Table 1.¹

Table 1
Cooperative Agreement Awarded to AIDA

Award Number	Program Office	Award Date	Project Start Date	Project End Date	Award Amount
2014-MU-MU-K001	NIJ	09/23/2014	01/01/2015	09/30/2015	\$421,104
2014-MU-MU-K001 Supplement 1	NIJ	09/28/2015	01/01/2015	09/30/2016	\$536,941
2014-MU-MU-K001 Supplement 2	NIJ	09/14/2016	01/01/2015	12/31/2018	\$367,798
Total:					\$1,325,843

Source: OJP's Grants Management System

Funding for Award Number 2014-MU-MU-K001, through the Effective Methods to Assess Exposure to Violence and Victimization Among American Indian and Alaskan Native Youth, supports a study to improve the health and well-being of American Indian and Alaskan Native youth by developing a survey instrument and research design that can effectively assess exposure to violence and victimization.

The Grantee

AIDA is a 100 percent American Indian and woman owned small business that focuses on research and culturally relevant development of policies, programs, and community-based systems. AIDA provides training, technical assistance, and research and evaluation services that are designed to build the capacity of tribes and tribal programs to develop and administer systems and programs that can meet the unique needs of Indian people and communities.²

¹ The scope of our audit initially included Award Number 2017-VR-GX-K027, totaling \$450,000, which was funded through the Tribal Victim Specialist Internship Program. However, at the time of our site work AIDA had not initiated any financial or program activities related to this award. As a result, we were unable to conduct any analysis related to the award and have excluded it from this report.

² Statements of mission and intent regarding OJP and AIDA have been taken from the agencies' websites directly (unaudited).

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 the recipient 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, 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 2014 OJP Financial Guide, the 2015 DOJ Grants 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.

AUDIT RESULTS

Program Performance and Accomplishments

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

Program Goals and Objectives

The goals and objectives for Award Number 2014-MU-MU-K001 were to develop and test a process for collecting self-reported data on American Indian and Alaskan Native youth violence and victimization that: (1) identifies factors that increase risks for American Indian and Alaskan Native youth; (2) identifies protective factors that can eliminate and reduce risk; and (3) addresses methodological issues that limit the availability, interpretability, and applicability of the data in a tribal context.

Based on our review, there were no indications that AIDA was not adequately achieving the stated goals and objectives of the award.

Required Performance Reports

According to the 2014 OJP Financial Guide and the 2015 DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in the progress reports we selected a sample of four performance measures from the two most recent reports submitted for the award for a total sample size of eight. We then traced the items to supporting documentation maintained by AIDA.

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 award and are not addressed in another section of this report. We evaluated nine special conditions for Award Number 2014-MU-MU-K001.

Based on our sample, we did not identify any instances of AIDA violating these additional special conditions.

Award Financial Management

According to the 2014 OJP Financial Guide and the 2015 DOJ Grants Financial Guide all cooperative agreement recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. To assess AIDA's financial management of the award covered by this audit, we conducted interviews with financial staff, examined policy and procedures, and inspected award documents to determine whether AIDA adequately safeguards the 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.

We identified concerns related to AIDA's procedures for allocating payroll and charging contractor and consultant costs, which resulted in unallowable and unsupported costs charged to the award. Additionally, we determined that AIDA did not have a consistent methodology for allocating other direct costs to the award. These deficiencies are discussed in more detail in the Personnel, Contractor and Consultant, and Other Direct Costs sections of this report.

Award Expenditures

For Award Number 2014-MU-MU-K001, AIDA's approved budgets included salary and fringe benefits, travel, equipment, supplies, contractual, and other direct costs. To determine whether costs charged to the award were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. Our initial sample included 69 transactions totaling \$114,321 charged to the award. We reviewed documentation, accounting records, and performed verification testing related to award expenditures. As discussed in the following sections, we identified \$55,717 in unallowable and unsupported questioned costs.

Personnel Costs

As a part of our sample, we reviewed 44 payroll transactions totaling \$62,375, which included salary and fringe benefits costs for four non-consecutive pay periods, to determine if labor charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the award.

According to the 2015 DOJ Grants Financial Guide, where grant recipients work on multiple grant programs or cost activities, documentation must support a reasonable allocation or distribution of costs among specific activities or cost objectives. Based on our review of the payroll transactions and discussions with AIDA officials, we determined that AIDA allocated payroll costs to the award by multiplying the budgeted hourly rates by the hours worked on the award. This allocation methodology resulted in excess salary costs charged to the award because the budgeted hourly rates were based on the employees' salaries divided by a 40 hour work week however, award funded employees generally worked in excess of 40 hours per week. As a result, we identified instances where AIDA allocated salaries and fringe benefits among cost objectives that exceeded actual

costs. For example, we found that for one month included in our initial sample, the salary for one employee that was allocated between two of the three cost objectives exceeded the employees actual salary costs by over \$4,000.

We also determined that AIDA allocated fringe benefit costs to the award by multiplying the salaries charged to the award by budgeted fringe percentage rates, which resulted in excess fringe benefit costs charged to the award since the allocation was based on excess salaries allocated to the award. In addition, some of the budgeted percentages used to allocate fringe benefits did not accurately reflect actual costs, which resulted in additional excess fringe benefits allocated to the award. Specifically, we found that health insurance costs were allocated to the award for an AIDA employee who was not enrolled in the health insurance plan and that 100 percent of life insurance costs were charged to the award despite the fact that the AIDA employees were only partially award-funded.

As a result, we expanded our analysis to include all salaries and fringe benefit costs charged to the award. Based on our analysis, we identified \$53,306 excess unallowable salaries and fringe benefit costs charged to the award. Consequently, AIDA made an adjusting entry to remove the questioned personnel costs from its general ledger for the award. However, AIDA still needs to submit a corrected Federal Financial Report (FFR) reflecting the adjusted award expenditures and ensure that drawdowns are adjusted accordingly. Therefore, we recommend that OJP remedy the \$53,306 in unallowable excess personnel costs charged to the award.

Contractor and Consultant Costs

As part of our sample, we reviewed a total of 28 contractor and consultant transactions totaling \$46,992 to determine if charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the award. In addition, we determined if rates, services, and total costs were in accordance with those allowed in the approved budgets.

Based on our review, we identified payments to consultants for attending a Tribal Advisory Group meeting. The invoices submitted by the consultants and paid by AIDA for the meeting included charges for four days, including two travel days, paid at half the daily rate of \$225, and two full days of attendance at the meeting, paid at the full daily rate of \$450. However, we determined that seven of the consultants only worked a half day on the second day of the meeting and traveled home that same day, despite the fact that the invoices indicated that these consultants traveled home the day after the meeting ended. Therefore, the consultants' actual time was only for 2.5 days, one half day to travel to the meeting, and two full days to attend the meeting and travel home. As a result, we questioned the excess fees totaling \$1,575 paid to the consultants as unsupported.

We also expanded our sample to include travel costs related to the Tribal Advisory Group meeting. Based on our review, we determined that one consultant was reimbursed for expenditures related to mileage costs incurred for personal

travel. As a result, we questioned all mileage reimbursements for personal travel totaling \$112, as unallowable.

Additionally, as part of our sample, we reviewed a transaction for contract accounting services totaling \$724. Based on our review, we determined the costs were incurred for the preparation of tax forms, and were not incurred in support of the award. As a result, we questioned the \$724 in contract accounting costs as unallowable.

In total, we identified \$1,575 in unsupported and \$836 in unallowable contractor and consultant costs. Consequently, AIDA made an adjusting entry to remove the questioned contractor and consultant costs from its general ledger for the award. However, AIDA still needs to submit a corrected FFR reflecting the adjusted award expenditures and ensure that drawdowns are adjusted accordingly. Therefore, we recommend that OJP coordinate with AIDA to remedy the \$1,575 in unsupported contractor and consultant costs, and \$836 in unallowable contractor and consultant costs.

Other Direct Costs

As part of our sample, we reviewed a total of 10 other direct costs transactions totaling \$6,030. Based on our review of supporting documentation and discussions with AIDA officials, we determined that there was not a consistent allocation method used to allocate the costs related to rent, communication, technology, and printing to the award. According to the 2015 DOJ Grants Financial Guide, where grant recipients work on multiple grant programs or cost activities, documentation must support a reasonable allocation or distribution of costs among specific activities or cost objectives. Further, as noted previously, we identified questioned costs related to AIDA's allocation of personnel costs. As a result of our audit, AIDA developed and implemented new policies and procedures to ensure that costs are allocated to the award using a consistent and reasonable methodology. Therefore, we are not making a recommendation related to this issue.

Budget Management and Control

According to the 2014 OJP Financial Guide and the 2015 DOJ Grants Financial Guide, the recipient is 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, the recipient must 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.

We compared award expenditures to the approved budget for Award Number 2014-MU-MU-K001 to determine whether AIDA transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

Drawdowns

According to the 2014 OJP Financial Guide and the 2015 DOJ Grants 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. As of October 2, 2017, AIDA had drawn down a total of \$576,511 from Award Number 2014-MU-MU-K001.

To assess whether AIDA managed award receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.

During this audit, we did not identify significant deficiencies related to the recipient's process for developing drawdown requests. However, we identified deficiencies and questioned costs related to compliance of individual expenditures with award rules. We address those deficiencies in the Award Expenditures section in this report.

Federal Financial Reports

According to the 2014 OJP Financial Guide and the 2015 DOJ Grants 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 AIDA submitted accurate Federal Financial Reports (FFRs), we compared the four most recent reports to AIDA's accounting records for Award Number 2014-MU-MU-K001.

We determined that quarterly and cumulative expenditures for the reports reviewed matched the accounting records.

CONCLUSION AND RECOMMENDATIONS

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 the recipient demonstrated adequate progress towards achieving program goals and objectives. We assessed AIDA's program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports. We did not identify significant issues regarding AIDA's, progress reports, budget management and control, process for developing drawdown requests, or FFRs. However, as a result of our audit testing, we concluded that AIDA did not adhere to all of the requirements we tested. We identified \$55,717 in unallowable and unsupported questioned costs related to personnel, and contractor and consultant costs. Consequently, AIDA made an adjusting entry to remove the questioned costs from its general ledger for the award. However, AIDA still needs to submit a corrected FFR reflecting the adjusted award expenditures and ensure that drawdowns are adjusted accordingly. In addition, we noted an issue with AIDA's methodology for allocating costs to the award. However, as a result of our audit, AIDA developed and implemented new policies and procedures to ensure that costs are allocated to the award using a consistent and reasonable methodology. Therefore, we are not making a recommendation related to this issue. We provide two recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Remedy the \$54,142 in unallowable questioned costs related to the \$53,306 in unallowable excess personnel costs charged to the award and \$836 in unallowable contractor and consultant costs.
2. Remedy the \$1,575 in unsupported contractor and consultant costs related to the Tribal Advisory Group meeting.

APPENDIX 1

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 the recipient 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, financial management, 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 objective.

This was an audit of Office of Justice Programs cooperative agreement awarded to AIDA under the Effective Methods to Assess Exposure to Violence and Victimization Among American Indian and Alaskan Native Youth. AIDA was awarded \$1,325,843 under Award Number 2014-MU-MU-K001. As of October 2, 2017, AIDA had drawn down \$576,511 from the award. Our audit concentrated on, but was not limited to September 23, 2014, the award date for Award Number 2014-MU-MU-K001, through November 9, 2017, the last day of our audit work.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of AIDA's activities related to the audited award. We performed sample-based audit testing for award expenditures including salaries and fringe benefit charges, contractor and consultant costs, other direct costs, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the cooperative agreement reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The 2014 OJP Financial Guide, the 2015 DOJ Grants 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, as well as AIDA'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 were verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
Questioned Costs:³		
Unallowable Costs		
Personnel Costs	\$53,306	5
Contractor and Consultant Costs	\$836	6
<i>Total Unallowable Costs</i>	<i>\$54,142</i>	
Unsupported Costs		
Contractor and Consultant Costs	\$1,575	6
<i>Total Unsupported Costs</i>	<i>\$1,575</i>	
Net Questioned Costs	\$55,717	

³ **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.

**AMERICAN INDIAN DEVELOPMENT ASSOCIATES, LLC'S
RESPONSE TO THE DRAFT AUDIT REPORT**

American Indian Development Associates, LLC
2401 12th ST. NW, Suite 205-207n
Albuquerque, NM 87104

March 3, 2018

David M. Sheeren, Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln Street, Suite 1500
Denver, CO 80203

Dear Mr. Sheeren:

The American Indian Development Associates (AIDA), LLC welcomes the opportunity to enhance our grant and financial management operations. We are committed to implementing systems that allow AIDA to meet the goals and objectives of our federal awards, as well as maintain internal controls and cost allocation processes that are consistently applied in order to effectively manage project funds in accordance with federal guidelines.

As such, AIDA maintains a financial management system in accordance with established accounting principles, and with internal controls described in AIDA's financial, and employee policies and procedures. We thank the Department of Justice (DOJ) for the recommendations provided in the DOJ Office of Inspector General (OIG) Audit Report for Award Number 2014-MU-MU-K001, which highlighted two areas where AIDA can strengthen our current system.

In response to the DOJ field audit and prior to issuance of the OIG report, AIDA added and/or amended the overall policies detailed in the AIDA Financial Policies and Procedures Manual. AIDA informed the DOJ auditors of steps taken to develop or modify internal policies and procedures that are aimed at enhancing AIDA's grant management practices and provided the documents to the OIG audit team. The auditors reviewed the new policies and conveyed their concurrence with the changes during the exit conference call on February 9, 2018. The auditors also noted in the audit report dated February 12, 2018, that AIDA implemented the adjusted policies and procedures as of October 1, 2017.

The following details:

- 1) AIDA's response to the recommendations,
- 2) Adjustments made by AIDA prior to the issuance of the audit report, and
- 3) Future action to be taken to close out the open audit recommendations.

Recommendation # 1:

Remedy the \$54,124 in unallowable questioned costs related to the \$53,306 in unallowable excess personnel costs charged to the award and \$836 in unallowable contractor and consultant costs.

AIDA *concurs partially* with this recommendation, but has nevertheless implemented changes that fully comply with the recommendation (detailed below).

AIDA concurs that AIDA's method for allocating contractor and consultant costs resulted in an excess allocation of \$836 to the award. AIDA also concurs that AIDA's method for allocating fringe benefit costs resulted in an excess allocation to the award.

AIDA does not concur that the previous methods applied in the allocation of payroll costs "did not comply with essential award conditions." The methods utilized prior to the audit for allocating Personnel Costs was in accordance with a Special Condition noted in AIDA's award documents that provides an "Exception" regarding Part 200 Uniform Requirements/For-Profit Organizations which directs AIDA to follow a different set of cost principles (Subpart 31.2 of the Federal Acquisition Regulation). These principles are not outlined in the 2015 DOI Grants Financial Guide, as the current and prior guides sections on Allowable and Unallowable Costs follows Subpart E of 2 C.F.R. Part 200 of the Uniform Guidance.

Snapshot from AIDA Grant Award Documents.

<i>SPECIAL CONDITIONS</i>	
47.	A. Exceptions regarding Part 200 Uniform Requirements / For-Profit Organizations
Notwithstanding any provision to the contrary in the other terms and conditions of this award, including in the initial condition regarding "Applicability of Part 200 Uniform Requirements" –	
(1) The "Cost Principles" of the Part 200 Uniform Requirements set out in Subpart E of 2 C.F.R. Part 200 do not apply to this award, other than the policies set out in 2 C.F.R. 200.400(a)-(c); and	
(2) The "Audit Requirements" of the Part 200 Uniform Requirements as set out in Subpart F of 2 C.F.R. Part 200 do not apply to this award, other than as set out in the conditions of this award entitled "Audits of recipient for-profit organization" and "Submission of audit reports and corrective action plans."	
With respect to this award, the recipient for-profit organization instead must follow –	
(1) the contract cost principles set out in subpart 31.2 of the Federal Acquisition Regulation (the "F.A.R."), and	
(2) the audit requirements set out in the conditions of this award entitled "Audits of recipient for-profit organization" and "Submission of audit reports and corrective action plans."	
B. Procurement Standards of the Part 200 Uniform Requirements apply	
Notwithstanding any provision to the contrary that may appear in the other terms and conditions of this award (or in the 2015 DOI Grants Financial Guide), the recipient for-profit organization must follow the "Procurement Standards" set out in Subpart D of the Part 200 Uniform Requirements with respect to any procurements under this award.	
In the event that an award-related question arises regarding the scope or applicability of the provisions in the Procurement Standards of the Part 200 Uniform Requirements related to avoidance of any "conflict of interest," the recipient for-profit organization is to contact OJP promptly for clarification. Absent specific prior written approval from OJP, the recipient may not involve any individual or organization that may have a real or apparent conflict of interest in the selection, award, or administration of any procurement under this award.	

In addition, AIDA followed the 2015 DOJ Grants Financial Guide sections relating to Allowable and Unallowable costs also directing AIDA to follow Subpart 31.2 of the Federal Acquisition Regulation. These directives combined (i.e., special conditions and the DOJ Grants Financial Guide) led to AIDA's implementation of the "Exception" not to follow the 2015 Grant Management Guide section detailing allowable personnel costs (pg. 70), and as noted in the DOJ OIG audit report (pg. 4) regarding, "where grant recipients work on multiple grant programs or cost activities documentation must support a reasonable distribution of costs among specific activities or cost objectives."

Snap shot from the 2015 Grant Management Guide

Introduction

Allowable costs (for all non-Federal entities, other than for-profit entities and hospitals) are those costs consistent with the principles set out in the Uniform Guidance 2 C.F.R. § 200, Subpart E, and those permitted by the grant program's authorizing legislation. To be allowable under Federal awards, costs must be reasonable, allocable, and necessary to the project, and they must also comply with the funding statute and agency requirements. This chapter highlights certain elements of allowable costs. For more information about specific factors that affect whether costs are allowable, refer to 2 C.F.R. § 200, Subpart E, including the list of specific items of cost in 2 C.F.R. § 200.420 through 200.475.

Set out below is additional guidance on cost categories and selected items of cost that are often relevant to DOJ awards.

3.13 UNALLOWABLE COSTS

Introduction

Federal awards generally provide recipients and/or subrecipients with the funds necessary to cover costs associated with the award program. There are other costs, however, categorized as unallowable costs, that will not be reimbursed. Non-Federal entities must not use award or match funding for unallowable costs. Also within the category of unallowable costs are any costs considered inappropriate by your awarding agency. See 2 C.F.R. § 200.31 (Disallowed Costs).

Standard unallowable costs are identified in 2 C.F.R. § 200, Subpart E - Cost Principles. (For-profit entities and hospitals follow different cost principles – see FAR 31.2, and 2 C.F.R. Part 200b Appendix IX, respectively). Specific items of unallowable costs that may be of particular relevance for DOJ-funded programs are highlighted below:

Rather, as directed AIDA followed Subpart 31.2 of the Federal Acquisition Regulation cost principles for personal services that state the following:

Snapshot of the Subpart 31.205-6 Compensation for Personal Services

31.205-6 Compensation for personal services.

- (a) General. Compensation for personal services is allowable subject to the following general criteria and additional requirements contained in other parts of this cost principle:
- (1) Compensation for personal services must be for work performed by the employee in the current year and must not represent a retroactive adjustment of prior years' salaries or wages (but see paragraphs (g), (h), (j), (k), (m), and (o) of this subsection).
- (2) The total compensation for individual employees or job classes of employees must be reasonable for the work performed; however, specific restrictions on individual compensation elements apply when prescribed.
- (3) The compensation must be based upon and conform to the terms and conditions of the contractor's established compensation plan or practice followed so consistently as to imply, in effect, an agreement to make the payment.

These cost principles do not indicate that costs are to be a "distribution of costs among specific activities or cost objectives." Therefore, AIDA's methodology of allocating personnel costs by multiplying the approved budgeted hourly rates by the work performed by the employee on the award was implemented as a "reasonable allocation" method. Further, it was an established compensation plan and the practice was consistently applied throughout the grant period and was supported by appropriate documentation.

As a result of the audit report, AIDA has requested clarification regarding the special conditions where conflicting language appears in AIDA's award documents. AIDA has also sought written clarification from the DOJ Office of Justice Programs, Office of the Chief Financial Officer (OCFO) regarding which cost principles AIDA is to apply, and the extent to which the 2015 DOJ Grant Management Guide sections regarding Allowable and Unallowable Cost apply to AIDA. However, AIDA has not yet received a response to the above noted inquiries. Upon clarification, and if needed, AIDA will update the Financial Policies and Procedures to reflect the clarifications provided.

Despite the need for clarification, AIDA has fully complied with all actions suggested in the audit report as follows:

- AIDA has made an adjusting entry of \$54,124 to the Company's general ledger as of December 31, 2017, as noted in the audit report.
- AIDA will submit a corrected Federal Financial Report (FFR) at the end of the 1st Quarter 2018 reflecting this adjustment. Note that the 1st quarter 2018 date was directed by the Lead Auditor, Audit and Review Division of OJP.

- AIDA has developed and implemented a new method for allocating Personnel Costs to account for all activity across jobs, limiting costs allocated to the Grant Award by actual disbursements.
- A policy detailing consistent methodology for allocating Other Costs (such as consultants) has been implemented.
- These policies are included in the addendum AIDA Grant Management Policies and Procedures that was reviewed and received concurrence by the DOJ Auditors and noted in the audit report.

Recommendation # 2:

Remedy the \$1,575 in unsupported contractor and consultant costs related to the Tribal Advisory Group Meeting.

AIDA *concurs* with this recommendation but would like to clarify that this charge was actually a “stipend,” whereby each participant received the same amount for their participation in the research activity. AIDA will fully comply with the recommendation as follows:

- AIDA has made an adjusting entry of \$1,575 to the Company’s general ledger as of December 31, 2017, as noted in the audit report.
- AIDA will submit a corrected FFR at the end of the 1st Quarter 2018 reflecting this adjustment. Note that the 1st quarter 2018 date was directed by the Lead Auditor, Audit and Review Division of OJP.
- A policy detailing consistent methodology for allocating Other Costs (such as consultants) has been implemented.
- These policies are included in the addendum AIDA Grant Management Policies and Procedures that was reviewed and received concurrence by the DOJ Auditors, and noted in the audit report.

We respectfully welcome any guidance and technical assistance from the DOJ in order to close out these open recommendations.

Sincerely,



Ada Pecos Melton,
President

CC: Linda J. Taylor,
U.S. Department of Justice, Office of Justice Programs
Office of Audit, Assessment and Management
Audit and Review Division

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

MAR 13 2018

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

FROM: Ralph E. Martin
R.E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Cooperative Agreement Awarded to American Indian Development Associates, LLC, Albuquerque, New Mexico*

This memorandum is in reference to your correspondence, dated February 12, 2018, transmitting the above-referenced draft audit report for American Indian Development Associates, LLC (AIDA). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **two** recommendations and **\$55,717** 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 OJP's response.

- 1. We recommend that OJP remedy the \$54,142 in unallowable questioned costs, related to the \$53,306 in unallowable excess personnel costs and \$836 in unallowable contractor and consultant costs.**

OJP agrees with this recommendation. We will review the \$54,142 in questioned costs, related to \$53,306 in unallowable excess personnel costs, and \$836 in unallowable contractor and consultant costs, that were charged to Cooperative Agreement Number 2014-MU-MU-K001, and work with AIDA to remedy, as appropriate.
- 2. We recommend that OJP remedy the \$1,575 in unsupported contractor and consultant costs related to the Tribal Advisory Group meeting.**

OJP agrees with this recommendation. We will review the \$1,575 in questioned costs, related to unsupported contractor and consultant costs for the Tribal Advisory Group meeting, that were charged to Cooperative Agreement Number 2014-MU-MU-K001, and will work with AIDA to remedy, as appropriate.

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
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OJP Executive Secretariat
Control Number IT20180213065816

APPENDIX 5

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

The OIG provided a draft of this audit report to OJP and AIDA for review and official comment. AIDA's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our audit report, OJP concurred with both of our recommendations. As a result, the status of the audit report is resolved. The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Remedy the \$54,142 in unallowable questioned costs related to the \$53,306 in unallowable excess personnel costs charged to the award and \$836 in unallowable contractor and consultant costs.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with AIDA to remedy the \$54,142 in unallowable questioned costs related to \$53,306 in unallowable excess personnel costs and \$836 in unallowable contractor and consultant costs charged to the award.

AIDA partially agreed with this recommendation, stating that it has implemented changes that fully comply with the recommendation, including: (1) making an adjusting entry of \$54,124 to the general ledger, (2) planning to submit a corrected FFR at the end of the first calendar quarter of 2018, (3) developing and implementing a new method for allocating personnel costs to account for activity across jobs, and (4) developing a policy detailing consistent methodology for allocating other costs.

AIDA also concurred that its method for allocating contractor and consultant costs resulted in the excess allocation of \$836 to the award, as well as that its method for allocating fringe benefit costs resulted in an excess allocation to the award. However, AIDA did not concur that the previous methods applied in the allocation of payroll costs did not comply with essential award conditions. AIDA stated that the methods utilized prior to the audit were in compliance with a Special Condition noted in AIDA's award documents that provided an exception regarding part 200 Uniform Requirements (2 CFR Part 200) which directs AIDA to follow Subpart 31.2 of the Federal Acquisitions Regulations (FAR 31.2). AIDA stated that these principles are not outlined in the 2015 DOJ Grants Financial Guide, which instead, outlines 2 CFR Part 200, and directs for-profit organizations to follow FAR 31.2. In addition, AIDA stated that FAR 31.2 does not indicate that costs are to be a distribution of costs among specific activities or cost objectives. As a result, AIDA requested clarification from OJP regarding the special conditions where it believes conflicting language appears.

While we note the appearance of a conflicting language regarding the special conditions of the award, in our judgment the unallowable costs were also not allocated to the award in accordance with the guidance set forth in FAR 31.2. According to FAR 31.201-4 a cost is allocable if it benefits the contract and other work, and can be distributed to them in a reasonable proportion to the benefits received. Meaning that similar to the 2014 OJP Financial Guide and the 2015 DOJ Grants Financial Guide, where grant recipients work on multiple grant programs or cost activities, documentation must support a reasonable allocation or distribution of costs among specific activities or cost objectives. As stated in the report, AIDA's allocation methodology resulted in excess salary costs charged to the award. As a result, we identified instances where AIDA allocated salaries and fringe benefits among cost objectives that exceeded actual costs.

This recommendation can be closed when we receive documentation showing that AIDA has submitted a corrected FFR at the end of the first quarter of 2018, and drawdowns have been adjusted accordingly.

2. Remedy the \$1,575 in unsupported contractor and consultant costs related to the Tribal Advisory Group meeting.

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with AIDA to remedy the \$1,575 in unsupported contractor and consultant costs related to the Tribal Advisory Group meeting.

AIDA agreed with our recommendation and stated in its response that it will fully comply with the recommendation by adjusting the amount out of its general ledger, submitting a corrected FFR at the end of the first calendar quarter of 2018, and by developing a policy detailing a consistent methodology for allocating Other Costs. However, AIDA also stated that the amounts paid to the Tribal Advisory Group members were stipends, whereby each participant received the same amount for their participation. We disagree since the Tribal Advisory Group members were listed as consultants in the award budget; and therefore, subject to the maximum allowable consultant rate of \$450 per day.

This recommendation can be closed when we receive documentation showing that AIDA has submitted a corrected FFR at the end of the first quarter of 2018, and drawdowns have been adjusted accordingly.



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