

**JUVENILE ACCOUNTABILITY INCENTIVE  
BLOCK GRANTS AWARDED TO THE  
OKLAHOMA OFFICE OF JUVENILE AFFAIRS**

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

Audit Report Number GR-80-06-002  
February 7, 2006

# **JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANTS AWARDED TO THE OKLAHOMA OFFICE OF JUVENILE AFFAIRS**

## **EXECUTIVE SUMMARY**

The Office of the Inspector General, Audit Division, completed an audit of Juvenile Accountability Incentive Block (JAIB) grants, numbers 2000-JB-VX-0040, 2001-JB-BX-0040, 2002-JB-BX-0028, and 2003-JB-BX-0014, awarded by the U.S. Department of Justice, Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, to the Oklahoma Office of Juvenile Affairs (OJA) in Oklahoma City, Oklahoma.

The purpose of the JAIB grant program is to provide states and units of local government with funds to develop programs to promote greater accountability in the juvenile justice system. The OJA is a state agency tasked to provide services and facilities for juveniles in order to promote public safety and reduce juvenile delinquency. The OJA is responsible for programs and services for juveniles involved in the juvenile justice system. Within OJA is the Oklahoma Department of Juvenile Justice, which is responsible for providing court intake, probation, and parole for delinquent children; engaging in juvenile justice and delinquency prevention activities; and collecting and disseminating information.

The OJA was awarded five grants shown in the following table to support its efforts to address juvenile delinquency.

### **JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANTS AWARDED TO THE OKLAHOMA OFFICE OF JUVENILE AFFAIRS<sup>1</sup>**

| <b>Grant Award Number</b> | <b>Award Date</b> | <b>Award Amount</b> |
|---------------------------|-------------------|---------------------|
| 2000-JB-VX-0040           | 07/28/00          | \$3,100,500         |
| 2001-JB-BX-0040           | 08/10/01          | \$3,225,800         |
| 2002-JB-BX-0028           | 06/20/02          | \$2,677,300         |
| 2003-JB-BX-0014           | 06/18/03          | \$2,063,000         |
| 2004-JB-FX-0025           | 06/25/04          | \$681,484           |
| Total                     |                   | \$11,748,084        |

Source: Office of Justice Programs

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<sup>1</sup> The OJA had not drawn down any funding for grant 2004-JB-FX-0025 as of the beginning of our audit testing. Therefore, this grant was not included in our audit.

As part of the audit, we tested OJA's compliance with essential grant conditions — reporting, grant drawdowns, budget management and control, program income, matching program costs, grant expenditures, monitoring of subrecipients, and cash management. In addition, we tested the accounting records to determine if costs reimbursed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. Our audit objectives, scope, and methodology appear in Appendix I of this report.

We found material weaknesses in all areas tested and, therefore, are questioning 100 percent of the net amount of federal funds drawn down for the four on-going grants, or a total of \$10,983,210.<sup>2</sup> We found that:

- the OJA was noncompliant in many fundamental cash management practices. For example, the OJA did not have a system to account for each award separately and were redesignating block grant awards and related obligations and expenditures from one federal fiscal year to another which is prohibited;
- the OJA did not have a defined methodology for allocating expenses, program income, or matching transactions to multiple, on-going grants;
- the OJA could not account for grant funds totaling \$322,580 that were drawn down in February 2002;
- from our testing of grant expenditures, payments totaling \$444,185 were unsupported and the inventory records for property purchased with grant funds were inaccurate;
- the OJA's monitoring of its subrecipients was inadequate; and
- required reports were not submitted in a timely manner and were inaccurate.

In addition, we question \$3,898,306 of unidentified funds in an OJA interest-bearing account prior to the deposit of federal funds from the grants under review. OJA officials speculated that the funds were from prior JAIB grants, but were unable to tell us definitively the source of the funds. We

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<sup>2</sup> The OJA returned funds to the Office of Justice Programs totaling \$83,390 for grant 2000-JB-VX-0040. Therefore, the net amount drawn down for all grants was \$10,983,210.

also question \$261,721 in interest allocated to the four grants through May 2005 because OJA officials could not specifically identify the interest income allocation method.

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# **JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANTS AWARDED TO THE OKLAHOMA OFFICE OF JUVENILE AFFAIRS**

## **INTRODUCTION**

The Office of the Inspector General, Audit Division, completed an audit of Juvenile Accountability Incentive Block (JAIB) grants, numbers 2000-JB-VX-0040, 2001-JB-BX-0040, 2002-JB-BX-0028, and 2003-JB-BX-0014, awarded by the U.S. Department of Justice, Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention (OJJDP), to the Oklahoma Office of Juvenile Affairs (OJA) in Oklahoma City, Oklahoma.

The purpose of the JAIB grant program is to provide states and units of local government with funds to develop programs to promote greater accountability in the juvenile justice system. The OJA is a state agency tasked to provide services and facilities for juveniles in order to promote public safety and reduce juvenile delinquency. The OJA is responsible for programs and services for juveniles involved in the juvenile justice system. Within OJA is the Oklahoma Department of Juvenile Justice, which is responsible for providing court intake, probation, and parole for delinquent children; engaging in juvenile justice and delinquency prevention activities; and collecting and disseminating information.

The *Office of Justice Programs Financial Guide (OJP Financial Guide)* serves as a primary reference for financial management and grant administration for all recipients and subrecipients of federal grant programs. We used the *OJP Financial Guide*, the *Juvenile Accountability Incentive Block Grant Guidance Manual (JAIBG Guidance Manual)*, and the terms and conditions of the grants as criteria to test compliance.

## **Background**

The OJA was established in 1995 to provide professional prevention, education, and treatment services, as well as secure facilities for juveniles, in order to promote public safety and reduce juvenile delinquency. The OJA was awarded the grants under review to support its efforts to address juvenile delinquency.

Prior to 1995, services for Oklahoma's in-need-of-supervision and delinquent youth were provided by the Oklahoma Department of Human Services. In 1978, a lawsuit was filed alleging abusive practices, the unconstitutional use of isolation and restraints, the absence of adequately trained staff, and the mixing of offenders with non-offenders. As a result, a number of public institutions were closed, and the Department of Human Services implemented a variety of community-based programs for children and youth, including both residential and non-residential services. The OJA was given the responsibility and authority to manage Oklahoma's juvenile affairs. By 1996, OJA was able to meet the federal court requirements for dismissal of the lawsuit.

The OJA was awarded five grants shown in the following table to support its efforts to address juvenile delinquency.

**JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANTS  
AWARDED TO THE OKLAHOMA OFFICE OF JUVENILE AFFAIRS<sup>3</sup>**

| <b>Grant Award Number</b> | <b>Award Date</b> | <b>Award Amount</b>       |
|---------------------------|-------------------|---------------------------|
| 2000-JB-VX-0040           | 07/28/00          | \$3,100,500               |
| 2001-JB-BX-0040           | 08/10/01          | \$3,225,800               |
| 2002-JB-BX-0028           | 06/20/02          | \$2,677,300               |
| 2003-JB-BX-0014           | 06/18/03          | \$2,063,000               |
| 2004-JB-FX-0025           | 06/25/04          | \$681,484                 |
| Total                     |                   | \$11,748,084 <sup>4</sup> |

Source: Office of Justice Programs

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<sup>3</sup> The OJA had not drawn down any funding for grant 2004-JB-FX-0025 as of the beginning of our audit testing. Therefore, this grant was not included in our audit.

<sup>4</sup> The OJA returned funds totaling \$83,390 for grant 2000-JB-VX-0040, and at the start of field work OJA had not drawn down any funds for the fifth grant, number 2004-JB-FX-0025, awarded June 25, 2004, for a total of \$681,484. Therefore, the net amount of draw downs for all grants was \$10,983,210.

## FINDINGS AND RECOMMENDATIONS

OJA did not comply with grant requirements in each of the areas we tested. We found material weaknesses in essential areas tested resulting in non-compliance with the *OJP Financial Guide* and the *JAIBG Guidance Manual* for each of the four grants reviewed. As a result, we are questioning a total of \$10,983,210, or 100 percent of the federal amount drawn down. We are also questioning \$261,721 in program income allocated to the grants and approximately \$3.9 million of unidentified funds in the interest-bearing account as of December 1, 2000, that OJA officials speculated was from previously awarded grants.

### Reporting

According to the *OJP Financial Guide*, two types of reports are required to be submitted by the grantee to OJP — Financial Status Reports (FSRs) and Program Reports. FSRs give details on actual expenditures and unliquidated obligations for the reporting period and cumulatively for the award. The reports are due 45 days after the end of the calendar quarter. Program Reports are prepared to present information relevant to the performance of a plan, program, or project. Program Reports are due semiannually, 30 days after the end of the reporting period. Grantees are also required to submit final FSRs and Program Reports within 120 days of the end of the grant period.

To test the accuracy of the FSRs, we compared expenditures on the FSRs to the accounting records used to prepare them. To test the timeliness of the FSRs, we compared the dates the reports were submitted to the due dates described in the *OJP Financial Guide*. Our review of the FSRs for the four grants reviewed for the period of January 1, 2004, through March 31, 2005, revealed that 10 of 20 reports, or 50 percent, were not submitted in a timely manner, ranging from 5 to 182 days late.<sup>5</sup> Also, 15 FSRs were inaccurate when compared to OJA's accounting records. The FSRs ranged

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<sup>5</sup> Included in the count of untimely FSRs was one report that was never submitted to OJP. Of the 11 FSRs that were not submitted in a timely manner, 3 were initially submitted within the required 45-day limit. However, revisions were made to these three reports, which were then submitted after the 45-day limit. In addition, we identified one FSR that we could not determine if it was submitted timely.



from understated by approximately \$113,000 to overstated by approximately \$297,000.

To test the timeliness of the Program Reports, we compared the dates the reports were submitted to OJP to the due dates described in the *OJP Financial Guide*. Our review of the Program Reports for the four grants for the period of January 1, 2004, through December 31, 2004, revealed that only four of the eight required reports were submitted. The program manager told us that she was instructed by officials at OJP not to submit some of the reports. However, we have not received documentation supporting this statement. Of the four Program Reports that were submitted, two were on time, one was 149 days late, and the other was 160 days late.

We also reviewed the Program Reports to determine if they accurately reflected grant activity. We were unable to determine if the reports accurately reflected grant activity because, prior to July 2004, OJA did not enforce its own policy that required all subrecipients to submit quarterly program reports to OJA. Therefore, source documents supporting OJA grant activity in the reports were not available.

## **Grant Drawdowns**

According to the *OJP Financial Guide* and the *JAIBG Guidance Manual*, JAIB grants are paid in a lump sum to the grantee, and the funds must be deposited into an interest-bearing account. We obtained monthly activity statements for OJA's interest-bearing account for the JAIB grants funds and reviewed the statements to ensure that all drawdowns were deposited into the account.

We found that OJA deposited the funds from all four grants under review into the same interest-bearing account. We identified one drawdown from grant number 2001-JB-BX-0040 for \$322,580 on February 13, 2002, for which there was no record on the statements. When asked about the drawdown, OJA officials could not provide an explanation as to why this drawdown was not reflected on the account statements. We also found that \$2,063,000 for grant number 2003-JB-BX-0014 was deposited into the interest-bearing account on January 21, 2004, but no interest was allocated to the grant until March 2004. Therefore, the interest allocated to this grant may be understated. (For additional information, see Program Income on page 5.)

## **Budget Management and Control**

JAIB grant funds are to be expended for authorized expenses in any of 12 purpose areas. The 12 purpose areas are described in Appendix III of this report. According to the *JAIBG Guidance Manual*, OJJDP will award a single grant directly to a designated state agency, which will, absent a waiver, distribute not less than 75 percent of the total award among units of local government. The OJA is the designated state agency for JAIB grant funds for the State of Oklahoma.

Discussions with OJA officials disclosed that budgets were not set at the state level. Instead, funds were allocated to subrecipients based on a contract awarded to the subrecipient. The OJA received from OJJDP a waiver of the 75 percent pass-through requirement for each of the four grants reviewed. OJA was authorized to retain 50 percent of the funds at the state level for three of the grants we reviewed, and 75 percent of the funds for grant number 2003-JB-BX-0014. In our opinion, retaining the majority of the grant funds at the state level adversely affects the efforts of local governments to improve juvenile programs and services.

OJA did not maintain adequate supporting documentation for expenditures by subrecipients. Therefore, due to the lack of sufficient documentation, such as approved budgets at the state level and invoices for expenditures, we could not assess budget management and control at either the grantee or subrecipient level for any of the grants reviewed.

## **Program Income**

According to the *OJP Financial Guide* and the *JAIBG Guidance Manual*, JAIB grant funds must be deposited into an interest-bearing account. Interest earned on JAIB grant funds is considered program income and should be expended only on allowable purpose areas within the JAIB Grant Program. Further, grantees are required to use all funds within each grant's fixed time period. No extensions of the time periods are to be approved.

The OJA used a single interest-bearing account for all its JAIB grants.<sup>6</sup> When reviewing the account, we determined that the account had a balance of \$3,898,306 as of December 1, 2000, before any of the drawdowns from the grants under review were deposited into the account. OJA officials could not definitively tell us from where the approximately \$3.9 million came. One

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<sup>6</sup> The grantee's accounting system or other established system must provide adequate fund accountability; each award must be accounted for separately.

OJA official speculated that the \$3.9 million was most likely from previously awarded JAIB grant funds. In our opinion, if OJA's JAIB grants in force prior to December 2000 have expired, OJJDP should determine if these funds should be returned.

Because all JAIB grant funds were deposited into the same interest-bearing account, we asked OJA officials to describe the method used to allocate interest earned to each of the four grants under review. The OJA official who calculated the allocations was on extended leave for most of the time we were on site and not available to talk with us. OJA officials stated that an OJA employee allocated interest income on expense allocations and the individual grant fund balance. They did not know the specific allocation methodology, and the records were not available for the OIG to review, nor was the allocation methodology included in OJA's accounting system. However, they did provide us with the monthly interest allotted to each of the grants. Interest allocated to each of the four grants was \$123,052; \$53,402; \$53,141; and \$32,126, respectively, for a total of \$261,721 in interest earned.

## **Matching Program Costs**

According to the *JAIBG Guidance Manual*, federal funds may not exceed 90 percent of the total program costs. The grantee and subrecipients must contribute a cash match of 10 percent of the total program costs. Matching contributions need not be applied at the exact time or in proportion to the obligation of federal funds. However, the 10 percent cash match must be met by the end of the grant period.

Accounting data OJA provided indicated that, as of May 31, 2005, at least 10 percent of the total program costs were matched for all four grants. However, our additional analysis of the same accounting data also showed that federal funds accounted for approximately 97 percent of the total expenditures for grant number 2000-JB-VX-0040. Furthermore, this same data showed that as of May 31, 2005, federal funds expended exceeded the award amounts for two grants (2000-JB-VX-0040 and 2001-JB-BX-0040) by \$170,313, or 5 percent of the award amount, and \$751,592, or 23 percent of the award amount, respectively. At our exit conference, one OJA official told us that the excess federal funds may be interest. However, our review of the accounting data showed no evidence of interest income. The interest data that OJA provided was not from the accounting system and, as discussed in the previous section, OJA officials could not describe the specific methodology they used to allocate interest to multiple, on-going grants. Nonetheless, deducting the interest allocated to the two grants still results in

excess federal funds expended in the amounts of \$47,261 and \$698,190, respectively.

To review matching program costs further, we tested 10 matching expenditures for each of the four grants. We selected 40 transactions totaling \$287,034 to determine if the transactions were in accordance with the grant terms. We requested invoices and other supporting documentation and traced the sampled expenditures back to source documents. We identified concerns with 11 of the 40 expenditures tested. The OJA could not provide any documentation for 10 of the transactions sampled. For one transaction in the amount of \$33,108, we found that OJA's accounting data did not agree with the documentation from the Oklahoma Office of State Finance. The OJA's data showed the matching funds for this transaction came from an authorized funding source. However, the documentation we reviewed disclosed that the matching funds came from a source that, according to OJA's list of fund accounts, appears to be other federal funds. Because these other federal funds were outside the scope of our audit, we did not review them and, therefore, have no assurance that the \$33,108 in matching funds was from an authorized source.

For the transactions that had supporting documentation, we were unable to determine if the expenditures were properly charged to each specific grant. In some instances, a single expenditure was paid from multiple funding sources. For example, one invoice may be paid from both state appropriated funds and from JAIB grant funds. However, OJA's documentation did not always indicate to which grant the expenses were allocated.

## **Grant Expenditures**

To test the accuracy and validity of grant expenditures for the grants, we requested OJA's accounting data for each of the four grants. We selected 56 transactions totaling \$1,103,738 and requested invoices and other supporting documentation for the expenditures. We reviewed direct costs (excluding salaries and fringe benefits) and expenditures to subrecipients by tracing sampled expenditures to source documents to determine if charges were properly authorized and classified, accurately recorded, and appropriately charged to the grants. From the sample, we determined that 19 of the 56 expenditures tested, totaling \$380,090, were not supported. The OJA could not provide any documentation or the documentation was incomplete for 14 of the transactions we selected. We were unable to trace two of the expenditures back to the source documents provided. The

documentation for three expenditures was not sufficient to determine whether the expenses were accurately recorded and appropriately charged to the grant.

As with our sample of matching transactions, we have no assurance that the charges were authorized and properly charged to the grant because OJA's supporting documentation did not always indicate to which grant the expenditures were allocated. We reviewed one transaction in the amount of \$53,043 that, according to the accounting data, was charged to grant number 2003-JB-BX-0014, but the supporting documentation indicated that expense was charged to grant number 2002-JB-BX-0028.

We also tested salaries and fringe benefit costs for three of the four grants.<sup>7</sup> We selected two non-consecutive pay periods and requested all supporting documentation (personnel timesheets, source documents for salaries, and other applicable reports) for OJA staff paid with grant funds. We tested payroll transactions totaling \$112,120 and found \$64,095, or approximately 57 percent, was not supported. The OJA could not provide any supporting documentation or the documentation was incomplete for several of the transactions. We also reviewed expenditures where OJA's records did not agree with payroll records from the Office of State Finance. Officials at OJA could not explain why their records did not agree with the Office of State Finance records.

We also noted that, although the timesheets showed the amount of time staff spent on grant-related activities, the timesheets did not indicate which of the three grants should be charged. In addition, one timesheet we reviewed showed no time charged to grant-related activities, but salary and fringe benefit costs were paid with JAIB grant funds. Based on the results of our testing, we have no assurance that payments made to employees were accurate or that salaries and fringe benefits were correctly charged to the grants.

In addition to direct costs and salaries and fringe benefit costs, we selected a sample of accountable property purchased with grant funds to verify the accuracy of the inventory records and to determine if the equipment was being used for purposes stated in the grants. We selected a total of 45 items from the 2000-2002 grants that, according to OJA's

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<sup>7</sup> At the time of our fieldwork, no salaries and fringe benefits costs had been allocated to grant number 2003-JB-BX-0014.

records, were purchased with JAIB grant funds.<sup>8</sup> We found that OJA's records were incorrect for all 45 items:

- Asset identification numbers were not assigned to 41 items.<sup>9</sup> The State of Oklahoma requires that tangible items valued at \$500 or more have a unique asset identification number affixed to the item.
- OJA's inventory records contained no serial number, an incorrect serial number, or no vehicle identification number for 24 items.
- The cost was either not recorded or was incorrect for 14 items. Furthermore, we were unable to determine the amount charged to one of the grants on one item.
- In our opinion, the cost for seven items was improperly charged to the grants based on the description given for their use. The equipment was not used exclusively for juvenile-related activities. The subrecipient could not provide a ratio or percentage of the equipment's use for juvenile-related activities and its use for other activities. For this same reason, we were unable to determine whether the cost of 11 other items was properly charged to the grants.
- In 15 instances, 9 subrecipients exceeded their approved equipment budget for a given funding period. Documentation showed evidence that lapsed funds from prior JAIB grant funds (funds from an earlier grant) were redesignated and commingled with equipment funds for the current grant periods.
- According to OJA's records, one subrecipient charged equipment with a total cost of \$13,900 to grant number 2002-JB-BX-0028, but it was later determined the subrecipient claimed the equipment was purchased with local funds as the subrecipient's cash match. This matter was still unresolved when we completed our fieldwork.

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<sup>8</sup> Due to insufficient documentation, we were unable to determine the total cost of the 45 items in our sample.

<sup>9</sup> Of the 45 items included in our sample, we identified 1 item that was incorrectly recorded as being purchased and used by a subgrantee when it was actually purchased and used by OJA. We also noted that this item did not have an asset identification number.

An OJA program manager told us she was trying to complete site visits to all subrecipients who received funds from the JAIB grants to correct issues such as we identify in this report. In our opinion, poor recordkeeping by both OJA and the subrecipients and the appearance that funds from prior or expiring grants are commingled with current grant funds compounded the errors found.

According to the *OJP Financial Guide*, grantees and subrecipients are prohibited from commingling funds on either a program-by-program or project-by-project basis. When a grantee's accounting system cannot comply with this requirement, the grantee shall establish a system to provide adequate fund accountability; each award must be accounted for separately. States are also prohibited from changing their block grant awards and related obligations and expenditures from one federal fiscal year to another.

In our opinion, the result of our testing of grant expenditures disclosed material non-compliance with these guidelines. We found that OJA officials could not explain the methodology for allocating expenses to multiple funding sources — for example, a single expenditure paid with state appropriated funds and grant funds, or one expense paid with funds from multiple grants. In addition, our testing of direct costs for grant number 2003-JB-BX-0014 and testing of accountable property disclosed that OJA is using federal FY 2003 and earlier grant funds to pay OJA FY 2005 expenses. The OJA is at least two years behind in their use of grant funds. At our exit conference, OJA officials confirmed this. As a result of this non-compliance, we have no assurance that the grant expenditures were properly classified and accurately recorded and charged to any of the grants we reviewed.

## **Monitoring of Subrecipients**

According to OJA officials, written policies and procedures for monitoring subrecipients were in place. However, they stated that their policies and procedures were not enforced prior to July 2004. Our review of subrecipient files for grant numbers 2000-JB-VX-0040, 2001-JB-BX-0040, and 2002-JB-BX-0028 showed that the requirements were inconsistent for requesting reimbursement, recordkeeping, and reporting outlined in the contracts between OJA and the subrecipients. The results of our testing in areas such as matching program costs and grant expenditures confirm that OJA's monitoring of subrecipients was sporadic and inadequate. Subrecipient files for grant number 2003-JB-BX-0014 showed improvement from the earlier grants. However, the results of our testing in the other

areas indicated that OJA must continue to increase its effort to monitor subrecipients.

We found that OJA's contracts with its subrecipients contained the requirement that subrecipients have all required audits completed. We reviewed a sample of these audit reports at the subrecipient level and found that OJA officials did not routinely review the reports to ensure they were complete or contained any findings. Therefore, OJA may not be aware of material weaknesses or reportable conditions related to subrecipients' JAIB grant funds that would require follow-up and corrective actions.

## **Cash Management**

We believe that many of the problems we identified were the result of OJA's lack of a defined methodology for allocating expenses and program income (i.e., interest earned on JAIB grant funds) to multiple, on-going grants. The OJA official who calculated the allocations was on extended leave for most of the time we were on site and not available to talk with us. Other OJA officials could not satisfactorily describe the methodology used. We believe that this situation alone is a material internal control weakness. One individual should not have complete control of these responsibilities without having additional controls in place.

The result of our testing in various areas indicates that OJA is not in compliance with fundamental cash management practices. For example, we found OJA's monitoring of its subrecipients is inadequate and, therefore, cannot provide the information for grant funds expended through the local programs. The situation is compounded by their inability to demonstrate a defined methodology to allocate expenditures and interest to individual grants and the appearance that the grantee and subrecipients are commingling old grant funds with new funds. In our judgment, this is a critical internal control weakness that should be immediately corrected. We believe, and OJA officials we spoke with agree, that both OJA finance and program staff have a vested interest in knowing what funds are available for each of the grants to ensure the funds are used appropriately.

## **Views of Responsible Officials**

Throughout our fieldwork and at its completion, we asked for comments from OJA officials responsible for the administration of the Juvenile and Accountability Incentive Block Grant Program. These officials



acknowledged problems associated with the administration of their grants, but also believed they are taking appropriate steps to correct the problems.

At our exit conference, we summarized our findings. The Executive Director asked if OJA would have the opportunity to respond to our report. We explained the report process, and OJA officials told us they would provide more detail in their response to our draft report. The Executive Director told us that, in the past, OJA had received "glowing letters" from OJP field representatives stating how effective OJA's programs were and how well OJA managed the grants. They told us that their OJP field representative had approved many of the practices with which we found fault — the redesignation of funds from prior fiscal years, for example. However, they said they did not get these approvals in writing.

## **Recommendations**

We recommend that OJP:

1. Remedy the \$3,017,110 drawn down and the \$123,052 interest allocated to grant number 2000-JB-VX-0040.
2. Remedy the \$3,225,800 drawn down (which includes the \$322,580 drawdown unaccounted for at the time of fieldwork) and the \$53,402 interest allocated to grant number 2001-JB-BX-0040.
3. Remedy the \$2,677,300 drawn down and the \$53,141 interest allocated to grant number 2002-JB-BX-0028.
4. Remedy the \$2,063,000 drawn down and the \$32,126 interest allocated to grant number 2003-JB-BX-0014.
5. Remedy the \$3,898,306 million in OJA's interest-bearing account as of December 1, 2000.
6. Ensure that OJA develops and implements financial and programmatic procedures to adequately administer and manage JAIB grant funds on a per grant basis in areas such as:
  - developing accounting records that accurately and systematically tracks and categorizes receipts of federal funds, matching program costs, interest income from the state accounts, and expenditures;

- obtaining adequate support documentation from subrecipients for their expenditures;
  - developing equipment inventory records in accordance with Oklahoma laws and procedures; and
  - ensuring that OJA's documentation agrees with the documentation from the Office of State Finance.
7. Ensure that OJA develops and implements a reasonable methodology to allocate expenses and interest earned to multiple, on-going JAIB grants so that finance and program personnel know the current balance of federal funds available for each grant.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed by OJA under the grants they received were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants.

We conducted our audit of JAIB grants, numbers 2000-JB-VX-0040, 2001-JB-BX-0040, 2002-JB-BX-0028, and 2003-JB-BX-0014, in accordance with *Government Auditing Standards* and included such tests as we considered necessary to accomplish our objectives. Our audit concentrated on, but was not limited to, July 28, 2000, through August 3, 2005.

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against were contained in the *OJP Financial Guide*, the *JAIBG Guidance Manual*, and the terms and conditions of the grants. We tested OJA's grant activities in the following areas: financial status and program reporting, drawdowns, budget management and control, program income, matching program costs, grant expenditures, monitoring of subrecipients, and cash management.

The Oklahoma Office of the State Auditor and Inspector (State Auditor) conducted an audit of the State of Oklahoma for the year ending June 30, 2004. The report was prepared according to the provisions of Office of Management and Budget Circular A-133. We reviewed that report, which included two internal control and compliance findings that, in our opinion, indirectly affected the JAIB grants under review. As of July 2005, a representative of the Oklahoma Office of State Finance reported that corrective action had been taken on the two findings and did not expect findings in these areas in the Single Audit for FY 2005.

With regard to OJA and its administration of JAIB grant funds, the Single Audit report referred to a special audit report issued by the Oklahoma Office of the State Auditor and Inspector in April 2005. We reviewed the State Auditor's special audit report, which disclosed numerous instances of OJA's non-compliance with state statutes and, thus, non-compliance with the terms and conditions of the grants under audit.

We also conducted a limited review of the State Auditor's work done in conjunction with the special audit. As a result, we modified some of our sampling and testing in order not to duplicate work already performed. We performed limited testing of source documents to assess the accuracy of reimbursement requests and FSRs. However, we did not test internal

## **APPENDIX I**

controls for OJA as a whole or specifically for the JAIB grants administered by OJA. Further, we did not test the reliability of the financial management system as a whole.

**APPENDIX II**

**SCHEDULE OF DOLLAR-RELATED FINDINGS**

| <b>QUESTIONED COSTS</b>                                      | <b>AMOUNT</b>                    | <b>PAGE</b> |
|--|----------------------------------|-------------|
| Funds drawn down by OJA for grant 2000-JB-VX-0040            | \$3,017,110                      | 3-12        |
| Funds drawn down by OJA for grant 2001-JB-BX-0040            | \$3,225,800                      | 3-12        |
| Funds drawn down by OJA for grant 2002-JB-BX-0028            | \$2,677,300                      | 3-12        |
| Funds drawn down by OJA for grant 2003-JB-BX-0014            | \$2,063,000                      | 3-12        |
| <b>NET AMOUNT OF QUESTIONED FUNDS DRAWN DOWN</b>             | <b>\$10,983,210</b>              |             |
| Interest allocated to grant 2000-JB-VX-0040                  | \$123,052                        | 5-6         |
| Interest allocated to grant 2001-JB-BX-0040                  | \$53,402                         | 5-6         |
| Interest allocated to grant 2002-JB-BX-0028                  | \$53,141                         | 5-6         |
| Interest allocated to grant 2003-JB-BX-0014                  | \$32,126                         | 5-6         |
| <b>AMOUNT OF INTEREST IN QUESTION</b>                        | <b>\$261,721</b>                 |             |
| Funds in the interest-bearing account as of December 1, 2000 | <b>\$3,898,306</b>               | 5-6         |
| <b>TOTAL QUESTIONED COSTS</b>                                | <b>\$15,143,237<sup>10</sup></b> |             |
| <b>LESS FUNDING IN EXCESS OF GRANT FUNDING RECEIVED</b>      | <b>&lt;\$4,160,027&gt;</b>       |             |
| <b>NET DOLLAR-RELATED FINDINGS</b>                           | <b>\$10,983,210</b>              |             |

**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.

<sup>10</sup> The OIG is questioning \$261,721 of interest income (program income) earned on the federal grant awards (totaling \$10,983,210) for the reasons described on pages 5 and 6 of this report. We are questioning an additional \$3,898,306 because OJA officials stated these funds are non-obligated funds of prior expired BJA grants and should be returned to the Department.

**AUTHORIZED PURPOSE AREAS FOR JUVENILE  
ACCOUNTABILITY INCENTIVE BLOCK GRANTS**

According to the *JAIBG Guidance Manual*, expenditure of JAIB grant funds are permitted in any of 12 purpose areas. An explanation of each area follows.

- Purpose Area 1 – Building, expanding, renovating, or operating temporary or permanent juvenile correction or detention facilities, including training of correctional personnel.
- Purpose Area 2 – Developing and administering accountability-based sanctions for juvenile offenders.
- Purpose Area 3 – Hiring additional juvenile judges, probation officers, and court-appointed defenders, and funding pre-trial services for juveniles to ensure the smooth and expeditious administration of the juvenile justice system.
- Purpose Area 4 – Hiring additional prosecutors so that more cases involving violent juvenile offenders can be prosecuted and backlogs reduced.
- Purpose Area 5 – Providing funding to enable prosecutors to address drug, gang, and youth violence problems more effectively.
- Purpose Area 6 – Providing funding for technology, equipment, and training to assist prosecutors in identifying and expediting the prosecution of violent juvenile offenders.
- Purpose Area 7 – Providing funding to enable juvenile courts and juvenile probation officers to be more effective and efficient in holding juvenile offenders accountable and reduce recidivism.
- Purpose Area 8 – The establishment of court-based juvenile justice programs that target young firearms offenders through the establishment of juvenile gun courts for the adjudication and prosecution of juvenile firearms offenders.

### **APPENDIX III**

- Purpose Area 9 – The establishment of drug court programs for juveniles to provide continuing judicial supervision over juvenile offenders with substance abuse problems and provide the integrated administration of other sanctions and services.
- Purpose Area 10 – Establishing and maintaining interagency information-sharing programs that enable the juvenile and criminal justice system, schools, and social services agencies to make more informed decisions regarding the early identification, control, supervision, and treatment of juveniles who repeatedly commit serious delinquent or criminal acts.
- Purpose Area 11 – Establishing and maintaining accountability-based programs that work with juvenile offenders who are referred by law enforcement agencies, or which are designed, in cooperation with law enforcement officials, to protect students and school personnel from drug, gang, and youth violence.
- Purpose Area 12 – Implementing a policy of controlled substance testing for appropriate categories of juveniles within the juvenile justice system.

**APPENDIX IV**

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Main # (405) 530-2800  
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**State of Oklahoma  
Office of Juvenile Affairs**

December 15, 2005

Mr. Robert J. Kaufman  
Regional Audit Manager  
U. S. Department of Justice  
Office of the Inspector General  
Dallas Regional Audit Office  
207 South Houston  
Room 575, Box 4  
Dallas, TX 75202

Dear Mr. Kaufman:

Enclosed please find the response of the Office of Juvenile Affairs to the Draft Audit Report of the United States Department of Justice, Office of the Inspector General, regarding the Juvenile Accountability Incentive Block Grants. Also enclosed are various documents relevant to the responses. There were several findings in the Draft Audit Report, which did not reference the specific transactions involved, and we have requested additional information so that we may provide complete responses.

In addition, during the exit conference you indicated that there would be two audit reports: one for the period prior to July 1, 2004 and one for the subsequent period to reflect the system improvements implemented by OJA and acknowledged in the Draft Audit Report. Please advise as to whether this is still your intention.

Finally, a reconciliation of the entire Fund has been completed and OJA is in the process of amending applicable Financial Status Reports (FSR's) that should be completed by January 31st and forwarded to OJP.

Sincerely,

  
Richard DeLaughter  
Executive Director





**OJA RESPONSE TO  
DRAFT AUDIT REPORT  
OF U. S. DEPARTMENT OF JUSTICE  
OFFICE OF INSPECTOR GENERAL**

The Office of Juvenile Affairs was approved to receive its first Juvenile Accountability and Incentive Block Grant funds in 1998. In July 2002, staff with the Office of Juvenile Affairs discovered that JAIB funds were being obligated without a proper contract in place. This discovery was reported by OJA to the Oklahoma Department of Central Services, which oversees state contracting procedures. The discovery also set in motion an effort by OJA to examine its contracting and procurement internal controls and systems. In 2003, the Department of Central Services initiated an audit of OJA's JAIBG contracts, which in turn led to audits by the Oklahoma State Auditor and Inspector, the Comptroller of the Department of Juvenile Justice, and the United States Department of Justice Office of Inspector General. As a result of the discovery in July 2002, OJA began implementing the following improvements, most of which were in place by the start of the State FY-2005 contracting cycle unless specified otherwise.

1. A tracking system was implemented by the Federal Programs Unit for monitoring the submission of applications, contracts, reports, claims and pertinent information from sub-recipients.
2. Staff from the Federal Programs Unit, Contracts/Procurement, Legal and Finance have developed an application packet and claims process to refine procedures for applications throughout the term of the contract. A timeline has been developed to assist with management of all Federal contracts.
3. A monitoring format was developed by the Federal Program Unit to include information to verify expenditures on-site and review the overall program operations. The OJA Federal Accountant, Federal Comptroller, Financial Compliance Officer, and Chief Financial Officer will be working with program staff to improve financial monitoring efforts.
4. The Federal Programs Unit has been moved to the Office of Public Integrity.
5. There is continued improvement of outcomes/performance-based measures. OJA's program staff will be working with sub-recipients to comply with federally mandated standardized measures.
6. Beginning in February 2003, an assistant attorney general began attending the meetings of the Juvenile Crime Enforcement Coalition to ensure compliance with the Oklahoma Open Meetings Act and Oklahoma Ethics commission Rules on conflict of interest.
7. The State plan presented to the Coalition for certification was changed to propose the funding of JAIBG purpose areas instead of specific grant awards.



8. OJA legal counsel must sign all contracts (including sole source contracts).
9. Extensive improvements to contracts were made by including specific terms requiring compliance with OJP administrative rules and financial guidelines as well as terms providing for disallowance of costs for unallowable expenditures.
10. Prior to FY-2005, additional contract provisions were added to emphasize that payments would be made on a contract reimbursement basis. The requirement for submission of supporting documentation should help assure compliance with this provision.
11. Contract and programmatic improvements will continue to be made as applicable provisions of OJP administrative rules and financial guidelines are identified.
12. Staff members initiating sole source contracts must meet with committee (consisting of CFO, CPO, Legal counsel, and affected Division Administrator) to defend and justify the necessity of a sole source contract.
13. Grant applications are being reviewed for potential non-compliance with OMB Circulars A-87 and 122, Supplanting Requirements, and various compliance requirements included in the OJP Financial Guide.
14. Finance staff alerts program staff of "red-flag" issues that might be indication of grantees not complying with contract provisions (e.g., monthly claims for the same amount).
15. A financial compliance unit including four financial compliance officers and two CPAs is currently being established.
16. A new budget package was developed by Finance staff that:
  - a. Is downloadable from the OJA web site.
  - b. Allows financial staff to more readily identify potential problems at the time of grant application.
  - c. Alerts grantees of various financial requirements (non-supplanting, etc.).
  - d. Provides more information to management (e.g., program cost per recipient, etc.).
17. The Chief Financial Officer and legal counsel have attended training provided by the OJP Comptroller. In addition, financial compliance staff and legal staff have attended specialized training in federal cost principles. Program staff has and will continue to attend financial training. Likewise, finance staff will be attending future programmatic training.
18. The Contracts staff holds monthly meetings with department contract liaisons to discuss and coordinate contracting activities.
19. The OJA contracts staff members have provided "Contracts 101" training to 357 OJA program staff that has contract administration responsibilities.



20. The OJA Contracts staff has obtained clarification from the State Purchasing Director about the appropriate procedures for handling contract extensions for federal grants.
21. The OJA Executive Director and Chief Financial Officer have met with the State Purchasing Director to review additional actions that might be necessary by OJA to improve its procurement practices.
22. OJA staff continues its dialogue with the OJP Comptroller staff members regarding financial issues. (Phone calls and helpdesk questions.)
23. A link to the OJP Financial Guidance Manual has been added to the OJA website.
24. OJA's contract staff has redesigned grant contracts with program and legal staff input: standardized general terms and conditions and clarified funds reimbursement.
25. A Federal funds contract matrix was developed to track grants programs to insure timelines and authenticated contract status. (See Attachment A)
26. The Administrator of Contracts and Procurement presents an updated contracts status to the Executive staff at its weekly meeting. (See Attachment B)
27. Contracts and Procurement staff continues to work with the Department of Central Services to provide training for Contract Administration/Management.
28. Contracts and Procurement staff are developing written Contract Monitoring Plan forms.
29. The Contracts staff has defined each employee's responsibility when signing/approving the Contract Review Sheet. (See Attachment C)
30. A process for reviewing independent audits submitted by contractors has been developed. The Financial Compliance Officer is involved in this process.
31. OJA staff has developed written procedures that more clearly assign responsibilities for the claims payment and other contract administration/management roles. These procedures address such issues as; review of supporting documentation with grantee reimbursement requests, defining responsibilities in the contract administration/management process, etc.
32. OJA staff have finalized policy that will define the steps used to resolve findings of sub-recipient noncompliance. (See Attachment D)

With regard to the Draft Report's specific findings and recommendations, the Office of Juvenile Affairs submits the following responses:



### REPORTING

**Issue 1:** Review of the Financial Status Reports (FSRs) for the four grants reviewed for the period of January 1, 2004, through March 31, 2005, revealed that 11 of 20 reports, or 55 percent, were not submitted in a timely manner, ranging from 5 to 182 days late.

**OJA Response:** According to the *OJP Financial Guide*, the Financial Status Reports (FSRs) give details on actual expenditures and un-liquidated obligations for the reporting period and cumulatively for the award. The reports are due 45 days after the end of the calendar quarter.

This audit revealed that 11 of 20 reports were not submitted timely. OJA's information revealed that only 2 of the 20 FSRs were not submitted timely. However the FSRs submitted timely were amended outside the 45-day period. Due to an open audit of the 2000-JBVX-0040 JAIB Grant, the award was not closed out timely. The other FSR was not prepared, although for that particular grant (2004-JB-FX-0025) no activity had taken place.

(See Attachment E - Table of FSR Activity)

OJA concurs that a FSR for the period ending September 2002 was 182 days late that was prior to the FSR review period of January 1, 2004, through March 31, 2005.

To provide assurance of timely submission, during FY2005, OJA implemented an e-mail notification system that will remind program staff, accounting staff, and executive staff that an FSR is due.

**Issue 2:** Fifteen (15) FSRs were inaccurate when compared to OJA's accounting records. The FSRs ranged from understated by approximately \$113,000 to overstated by approximately \$297,000.

**OJA Response:** OJA agrees that some of the FSRs need to be adjusted, but the amounts of the adjustments are not as much as indicated by this audit. It appears that OIG's overstatement & understatement calculation is based on an expenditure report created by the Auditors that contained duplicate entries. (See Attachment F highlighting the duplicated entries contained in the Auditor's random sample listing.) Even though there can be up to four grants open at any given time, OJA has established adequate internal controls to prevent further inaccuracy. OJA is taking appropriate steps to monitor and correct posting errors as needed.



**Issue 3:** Review of the Program Reports for the four grants for the period of January 1, 2004, through December 31, 2004, revealed that only four of the eight required reports were submitted.

**OJA** It is accurate to state, "only four of the eight required reports were submitted".  
**Response:** However, this statement does not reflect the status of the missing four reports as prepared and pending submission.

The Office of Juvenile Justice and Delinquency Prevention (OJJDP) require submission of these reports via an on-line grants management system (GMS). This system will not allow submission of a progress report until the previously entered report has been coded as "approved" at the federal level. The OJJDP State Representative assigned to Oklahoma had not yet coded the previously submitted reports as approved. Therefore, GMS would not allow submission of the four pending reports. None of OJA's reports were returned for correction nor were they rejected. Print outs of the GMS screens, verifying the statuses of the required reports were given to the auditors during their site visit. (See Attachment G)

Additionally, required time frames for reporting were extended due to the implementation of the federal Data Collection Technical Assistance Tool (DCTAT) reporting system for newly mandated federal performance measurements. OJA is now current on all required reporting.

**Issue 4:** OJA did not enforce its own policy that required all sub-recipients to submit quarterly program reports to OJA.

**OJA** It is correct to state OJA was not successful in attempts to enforce the quarterly program reporting requirements with all sub-recipients. These attempts included site visits, phone calls and letters to all non-compliant sub-recipients requesting submission of these reports. These actions resulted in the co-operation and submission of reports by numerous sub-recipients, but not compliance, from all sub-recipients, as required.

Beginning with federal grant year 2002, a consequence was imposed upon non-compliant sub-recipients. Sub-recipients who did not submit a quarterly progress report, as required, had claims for reimbursement placed on "hold".

Sub-recipients understood this consequence was a direct result of their failure to comply with the required program reporting. Subsequent submission of delinquent program reports occurred quickly, allowing reimbursement of "held" claims. OJA has therefore developed, and currently utilizes, a process that enforces receipt of required program reports, from all sub-recipients.



**GRANT DRAWDOWNS**

**Issue 1:** OJA deposited the funds from all four grants under review into the same interest-bearing account.

**OJA Response:** At the time that the JAIB program was established, OJA was limited by the Oklahoma Office of State Finance to a single fund for all JAIB grant awards. However, even though all of the JAIB grant funds were deposited into one account, OJA had the ability to separately track each award's deposits and expenditures through analysis of individual transactions by the federal funds accountant. Oklahoma's finance system allows for customization of Catalog of Federal Domestic Assistance (CFDA) numbers by appending a 4-digit extension. This extension is used to track transactions by individual grants. In fiscal year 2005, OJA implemented a system that utilizes the CFDA extensions. All grants are currently reconciled on a monthly basis to ensure consistency between OJA and the Oklahoma Office of State Finance.

**Issue 2:** We identified one drawdown from grant number 2001-JB-BX-0040 for \$322,580 on February 13, 2002, for which there was no record on the statements.

**OJA Response:** The \$322,580 was appropriately reflected in the accounting system. The funds were shown in the Cash Journal but this audit only reviewed the Investment Journals. In November of 2003, the Office of State Treasurer changed the process and eliminated the need for separate cash and investment journals. (See Attachment H – Deposit Reports)  
(See Attachment I – Monthly Activity Statement, Cash Management Program)

**Issue 3:** \$2,063,000 for grant number 2003-JB-BX-0014 was deposited into the interest-bearing account on January 21, 2004, but no interest was allocated to the grant until March 2004.

**OJA Response:** The interest allocated in March was for the interest accrued in February. However, the interest earned January 21, 2004 through January 31, 2004 was not properly allocated to grant number 2003-JB-BX-0014. This allocation resulted in understating this award by \$600 and overstating the other three awards by a total of \$600.

**BUDGET MANAGEMENT AND CONTROL**

**Issue 1:** Retaining the majority of the grant funds at the state level adversely affects the efforts of local governments to improve juvenile programs and services.

**OJA Response:** OJA strongly disagrees retaining the majority of grant funds at the state level adversely affects the efforts of local governments to improve juvenile programs and services.



The State of Oklahoma has a statewide juvenile justice system, which is operated by OJA. OJA, by state mandate, works with local judges, district attorneys and coordinates services for youth at the community level. OJA has the responsibility to provide intake, probation and parole services in seventy-three of seventy-seven counties. In the four most populous counties, OJA provides parole services.

Further, OJA is responsible for providing detention screenings and placement out-of-home for all youth statewide. OJA carries the financial burden of all detention centers, and residential programs, and operates Oklahoma's three secure juvenile facilities. The request to maintain more than 25% of grant funds requires a waiver from OJJDP. This waiver request must document that OJA bears the major responsibility for juvenile justice programs and the financial burden for operating these programs. Our requests for waivers clearly documented that these requirements were met. Therefore, they were approved by OJJDP.

Additionally, the funds retained were used to support programs, which benefited juveniles throughout the state. These funds were used for statewide substance abuse testing of juveniles and operation of a sanctions detention program available for use by youth throughout the state. The hiring and training of specialized juvenile prosecutors in eleven judicial districts to reduce juvenile case backlogs, was also funded.

OJA therefore disputes the auditors' opinion that the retention of funds adversely affects efforts of local governments.

**Issue 2:** OJA did not maintain adequate supporting documentation for expenditures by sub-recipients.

**OJA Response:** Beginning July 2004, OJA began requiring all federal sub-recipients to submit copies of invoices, receipts, time sheets, etc. with all requests for reimbursement. The supporting documentation is reviewed and analyzed by an OJA accountant and OJA program staff. OJA also requires the sub-recipients to provide more detailed budget before awarding of the contract and also required supporting documentation on claims with the exception of District Attorneys' Council, who provided the documents at the end of the grant to support expenditures. Prior to this time period claims were paid using a certified claim form as proof of the need for the funds. This process has evolved from advance payment to partial advance payment to reimbursement payments.

**PROGRAM INCOME**

**Issue 1:** The OJA used a single interest-bearing account for all its JAIB grants. When reviewing the account, we determined that the account had a balance of \$3,898,306 as of December 1, 2000, before any of the drawdowns from the grants under review were deposited into the account.



**OJA Response:** OJA concurs that there was an investment account balance of \$3,898,306 in the interest bearing account as of December 1, 2000. During the site audit, OJA staff explained that these funds were from prior year active grants. Following the site audit, during reconciliation, Staff verified the make up of these funds. Because multiple grants were open during the same period, these awards were still open at the time of the 2000 award drawdown. The awards that comprise the \$3,898,306 million dollars (1998JBVX0040 - \$455,992.63; 1999JBVX0040 - \$3,442,313.00) have since been expended in approved purpose areas except for \$382,808.47 (1998JBVX0040 - \$142,429.66; 1999JBVX0040 - \$240,378.81) that was returned because OJA financial staff had determined that the funds had lapsed.

**Issue 2:** Because all JAIB grant funds were deposited into the same interest-bearing account, we asked OJA officials to describe the method used to allocate interest earned to each of the four grants under review.

**OJA Response:** Prior to November 2003, the interest accrued during the month was based on grant balances in the investment account. After November 2003, due to improvements in the Oklahoma State Treasurer's system, the interest was accrued based on the entire grant balance (investment and cash). Interest is allocated on a monthly basis based on the average daily balance of each grant award.

**MATCHING PROGRAM COSTS**

**Issue 1:** Accounting data OJA provided indicated that, as of May 31, 2005, at least 10 percent of the total program costs were matched for all four grants. However, our additional analysis of the same accounting data also showed that federal funds accounted for approximately 97 percent of the total expenditures for grant number 2000-JB-VX-0040. Furthermore, this same data showed that as of May 31, 2005, federal funds expended exceeded the award amounts for two grants (2000-JB-VX-0040 and 2001-JB-BX-0040) by \$170,313, or 5 percent of the award amount, and \$751,592, or 23 percent of the award amount, respectively

**OJA Response:** According to the JAIBG Guidance Manual – federal funds may not exceed 90 percent of the total program costs. The Draft Audit Report has identified that federal funds accounted for approximately 97 percent of the total expenditures for grant number 2000-JB-VX-0040, however, the table below which summarizes the data provided to the OIG staff at the time of the engagement demonstrates that OJA was in compliance with the 90 percent requirement. (See Table on Next Page)





|   | 2000         | 2001         |
|---|--------------|--------------|
| Award   | 3,100,500.00 | 3,225,800.00 |
| Interest  | 123,052.43   | 53,402.06    |
| Total Available                                 | 3,223,552.43 | 3,279,202.06 |
| Total Federal & Interest Expenses               | 3,354,950.78 | 3,290,697.36 |
| Locality Returns                                | (131,398.35) | (11,495.32)  |
| Returns to OJP                                  | (85,691.13)  |              |
| Net Federal & Interest Expenses                 | 3,137,861.30 | 3,279,202.06 |
| Cash Match Expense                              | 381,294.76   | 659,276.10   |
| Total Program Expense                           | 3,519,156.06 | 3,938,478.16 |
| Federal & Interest Share of Total Program Costs | 89%          | 83%          |

Total Award = Represents the Federal Award Amount

Interest = Interest Allocated to Award

Total Available = Total Award Plus Interest

Total Federal & Interest Expenses = The Summary of all Expenses Using Federal Dollars

Locality Returns = Returned Funds from Sub-Grantees. The sub-grantee returns funds that are unexpended or lapsed at the end of their contract. These funds are then reallocated. The returns actually create a duplicate expense and increase the unadjusted expenditure figure.

Returns to OJP = These funds were not expended or obligated at end of period, so they were returned to OJP.

Net Federal & Interest Expenses = Total Expenses less the Locality Returns and Returns to OJP

Cash Match Expenses = The Summary of all Expenses Using Match Dollars (Both OJA and sub-recipients match.)

Total Program Expense = Net Federal & Interest Expenses plus Cash Match Expenses

Federal & Interest Share of Total Program Costs = Net Federal & Interest Expense Divided by the Total Program Expense

**Issue 2:** For one transaction in the amount of \$33,108, we found that OJA's accounting data did not agree with the documentation from the Oklahoma Office of State Finance. The OJA's data showed the matching funds for this transaction came from an authorized funding source. However, the documentation we reviewed disclosed that the matching funds came from a source that, according to OJA's list of fund accounts, appears to be other federal funds. Because these other federal funds were outside the scope of our audit, we did not review them and, therefore, have no assurance that the \$33,108 in matching funds was from an authorized source.

**OJA Response:** With regard to the \$33,108 expenditure, the claim was paid using a Federal Funds Participation (FFP) account. Although FFP is derived from Title XIX, once reimbursement is received by OJA the funds can be treated as state funds and can be used for federal match.



**GRANT EXPENDITURES**

There were several findings in the Draft Audit Report which did not reference the specific transactions involved and we request additional information so that we may provide complete responses. However, OJA has attempted to identify the issues and has responded to the best of our ability.

**Issue 1:** Lack of accuracy and validity of sub-recipient grant expenditures.

**OJA Response:** Beginning July 2004, OJA required a more detailed budget before awarding of the contract. OJA amended its contracts with sub-recipients to include more stringent language with regard to budget revisions:

"Prior approval is necessary for any budget changes. Contractor shall submit a "Revised Budget" for OJA's review and approval. No expenditures outside the existing budget are allowed prior to OJA approval of the budget revision. A bilateral modification to the Contract for a budget revision is not required if it does not change the scope of the program."

OJA also required supporting documentation on claims with the exception of District Attorneys' Council (DAC), who provided the documents at the end of the grant to support expenditures. Prior to this time period claims were paid using a certified claim form as proof of the need for the funds. Also, OJA conducted on-site monitoring on a routine basis.

In addition, OJA has taken appropriate steps to monitor its' sub-recipients' independent financial audits with the employment of a Certified Public Accountant to assist the monitoring unit since FY 2004.

**Issue 2:** No assurance that payments to sub-recipients were authorized and properly charged to the grant.

**OJA Response:** OJA concurs with the Auditor's finding that control measures were not adequate. Prior to July 1, 2004, OJA relied on the sub-recipients to maintain supporting documentation on-site. Documentation was requested and/or reviewed on an as needed basis. However, since July 1, 2004, sub-recipients are required to submit supporting documentation with each claim for reimbursement.

In prior years, OJA had routinely granted contract extensions when requested by a contractor. At the same time OJA would award a new contract, therefore some OJA had contractors might have had two OJA federal funding sources during similar time periods. OJA has discontinued the practice of routinely granting extensions. However, if a contract extension is absolutely necessary, OJA now requires supporting documentation to accompany the request for federal funds. This enables OJA to make sure it is not reimbursing the contractor for the same expenses.



**Issue 3:** In some instances, a single expenditure was paid from multiple funding sources. For example, one invoice may be paid from both state appropriated funds and from JAIB grant funds. However, OJA's documentation did not always indicate to which grant the expenses were allocated.

**OJA Response:** Certain items charged to OJA cover more than one area for example rent, cell phones, travel expenses, etc. When items can clearly be associated to an individual expense such as cell phone charges or airline tickets, the cost is charged directly to the area related to the expense, other items such as rent and telephones are allocated by FTE. **It is a common practice that claims will be split between federal and state funds due to matching requirements.**

In response to the finding that OJA's documentation did not always indicate to which grant the expenses were allocated, OJA has consistently applied first-in first-out methodology for allocating continual programs and administrative expenses. This enables OJA to fully utilize the funds for the approved purpose areas and the objectives approved by OJJDP in the allotted three-year time frame. OJJDP program staff has consistently discouraged OJA from letting funds lapse.

**Issue 4:** Payroll transactions totaling \$112,120 were tested and \$64,095 (57%) were not supported by documentation. OJA's records did not agree with payroll records from the Office of State Finance.

**OJA Response:** The Draft Audit Report does not specifically identify the payroll transactions referenced. Therefore OJA cannot respond to this finding. OJA requests a list of the payroll transactions referenced so that it may conduct research and provide an adequate response.

**Issue 5:** Verify the accuracy of the inventory record purchased with grant funds:

**Issue 5a:** a. Asset identification numbers were not assigned to 41 items. The State of Oklahoma requires that tangible items valued at \$500 or more have a unique asset identification number affixed to the item.

**OJA Response To 5a:** The Draft Audit Report does not specifically identify the property items referenced. Therefore OJA cannot respond to this finding. OJA requests a list of the property items referenced so that it may conduct research and provide an adequate response.

**Issue 5b:** b. OJA's inventory records contained no serial number, an incorrect serial number or no vehicle identification number for 24 items.

**OJA Response To 5b:** The Draft Audit Report does not specifically identify the property items referenced. Therefore OJA cannot respond to this finding. OJA requests a list of the property items referenced so that it may conduct research and provide an adequate response.



**Issue 5c:** c. The cost was either not recorded or was incorrect for 10 items.

**OJA Response To 5c:** The Draft Audit Report does not specifically identify the property items referenced. Therefore OJA cannot respond to this finding. OJA requests a list of the property items referenced so that it may conduct research and provide an adequate response.

**Issue 5d:** d. The sub-recipient could not provide a ratio or percentage of the equipment's use for juvenile-related activities and its use for other activities.

**OJA Response To 5d:** The Draft Audit Report does not specifically identify the property items referenced. Therefore OJA cannot respond to this finding. OJA requests a list of the property items referenced so that it may conduct research and provide an adequate response.

**Issue 5e:** e. Sub-recipients exceeded their approved equipment budget for a given period. Documentation showed evidence that lapsed funds from prior JAIB grant funds were redesignated and commingled with equipment funds for the current grant periods.

**OJA Response To 5e:** OJA agrees that sub-recipients exceeded their approved equipment budget. A budget developed at the initiation of a project is an estimate of the cost required for a program's operations. Sub-recipients were allowed to move funds between approved budget categories, as long as this did not fundamentally change the scope of a program, or exceed their total budget amount. For example, if volunteers were utilized to fulfill program duties, funds budgeted for personnel salaries could then be used to purchase additional equipment, relevant to program scope. This process was handled informally, with verbal approval from an assigned program manager.

The process was formalized beginning July 1, 2004. From that date forward, any changes to the sub-recipients approved budget required submission of a budget amendment request, in writing, to the JAIBG program manager. This budget amendment must receive written authorization, from the JAIBG program manager, prior to implementation.

In response to the allegation that JAIB grant funds were redesignated and commingled, OJA respectfully submits the following:

The Draft Audit Report refers to the OJP Financial Guide's provisions prohibiting the commingling of federal grant funds. This provision is found at Part II Chapter 3 under the heading "Commingling of Funds" and provides as follows:

[T]he accounting systems of all recipients and sub-recipients must ensure that agency funds are not commingled with funds from other Federal agencies. Each award must be accounted for separately. Recipients and sub-recipients are prohibited from commingling funds on either a program-by-program or project-by-project basis.



JAIB funds are all received from OJP and have never been commingled with awards from other federal agencies.

The Draft Audit Report also refers to language in the OJP Financial Guide that prohibits the changing of block awards and related obligations from one federal fiscal year to another. (Part III Chapter 2 "Redesignation of Fund Year")

Part III Chapter 2 also provides the following with regard to "Availability of Award":

Block/formula grants administered by the Bureau of Justice Assistance (BJA) and the Office of Juvenile Justice and Delinquency Prevention (OJJDP) are awarded for the Federal fiscal year of the appropriation plus two additional Federal fiscal years.

OJA has the ability to separately track each award's expenditures through analysis of individual transactions by the federal funds accountant. Oklahoma's finance system allows for customization of CFDA numbers by appending a 4-digit extension. This extension is used to track transactions by individual grants. In fiscal year 2005, OJA implemented a system that utilizes the CFDA extensions. All grants are currently reconciled on a monthly basis to ensure consistency between OJA and the Oklahoma Office of State Finance

**Issue 5f:** According to OJA's records, one sub-recipient charged equipment with a total cost of \$13,900 to grant number 2002-JB-BX-0028, but it was later determined the sub-recipient claimed the equipment was purchased with local funds as the sub-recipient's cash match. This matter was still unresolved when we completed our fieldwork.

**OJA Response To 5f:** The sub-recipient did initially attempt to claim a tractor purchased with grant funds as match. This attempt was rejected by OJA. OJA is currently working with the sub-recipient to determine if the match can be met from allowable funding sources.

**Issue 6:** OJA is using federal FY 2003 and earlier grant funds to pay OJA FY 2005 expenses. The OJA is at least two years behind in their use of grant funds.

**OJA Response:** OJA uses its grant awards within the allowed three-year grant period. To illustrate this point: 1) the actual federal funding period occurs approximately one year after the award, 2) The state fiscal year does not coincide with the federal fiscal year, and 3) OJA needs sufficient time to complete the sub-recipient award process.

| Award Number | Funding Period          | State FY | FY Start Date |
|--------------|-------------------------|----------|---------------|
| 2000JBVX0040 | 01/29/2001 - 01/28/2004 | 02       | 07/01/2001    |
| 2001JBBX0040 | 10/01/2001 - 02/13/2005 | 03       | 07/01/2002    |
| 2002JBBX0028 | 12/14/2002 - 12/13/2005 | 04       | 07/01/2003    |
| 2003JBBX0014 | 11/28/2003 - 11/27/2006 | 05       | 07/01/2004    |
| 2004JBFX0025 | 06/01/2004 - 05/31/2007 | 06       | 07/01/2005    |



**MONITORING OF SUB-RECIPIENTS**

**Issue 1:** OJA's monitoring of sub-recipients was sporadic and inadequate.

**OJA Response:** OJA agrees monitoring of sub-recipients was previously inadequate. Beginning July 1, 2004, all sub-recipients are financially monitored on a monthly basis, which has resulted in improved monitoring as noted in the Draft Audit Report.

Program monitoring occurs annually, as federally required. Additionally, monitoring and technical assistance visits are provided for sub-recipients, determined to be in need of corrective action, in a program or financial area.

In addition, OJA has taken appropriate steps to monitor its' sub-recipients' independent financial audits with the employment of a Certified Public Accountant to assist the monitoring unit since FY 2004.

**CASH MANAGEMENT**

**Issue 1:** Many of the problems we identified were the result of OJA's lack of a defined methodology for allocating expenses and program income.

**OJA Response:** OJA has always had a consistent methodology for allocating expenses and program income. This methodology was formalized into a written procedure and approved by OJA's Executive Director on March 21, 2005.  
(See Attachment J – Grants Management Policy)

**Issue 2:** One individual should not have complete control of these responsibilities without having additional controls in place.

**OJA Response:** OJA concurs that one individual should not have complete control of these responsibilities without having additional controls in place. OJA sent several financial and program employees to the Financial Management Training sponsored by the U.S. Department of Justice, Office of Justice Programs, and Office of the Comptroller. (See Attachment K - Training Records) OJA's financial procedures (including a procedure specific to Grants Management) address separation of duties and the maintenance of proper controls.

OJA has recently developed written procedures for federal grants management. These procedures have been submitted to the U.S. Department of Justice, Office of Justice Programs, and include provisions for better control over the management of federal grants. (Attachment J – Grants Management Policy)

OIG NOTE: Attachments not included for brevity.




U.S. Department of Justice  
Office of Justice Programs  
*Office of the Comptroller*

DEC 28 2005

Washington, D.C. 20531

MEMORANDUM TO: Robert J. Kaufman  
Regional Audit Manager  
Dallas Regional Audit Office  
Office of the Inspector General

FROM:

  
Marcia K. Paul  
Acting Comptroller

SUBJECT: Response to the Draft Audit Report of the  
Juvenile Accountability Incentive Block (JAIB) Grants  
Awarded to the Oklahoma Office of Juvenile Affairs  
Grant Numbers 2000-JB-VX-0040, 2001-JB-BX-0040,  
2002-JB-BX-0028, and 2003-JB-BX-0014.

This memorandum is in reference to your correspondence dated November 17, 2005, transmitting the subject draft audit report for the Oklahoma Office of Juvenile Affairs (OJA). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 7 recommendations and \$10,983,210 in net dollar-related findings. The following is our analysis of the audit recommendations.

1. **Remedy the \$3,017,110 drawn down and the \$123,052 interest allocated to grant number 2000-JB-VX-0040.**

We agree with the recommendation. We will coordinate with the OJA to remedy the \$3,017,110 drawn down and the \$123,052 interest allocated to grant number 2000-JB-VX-0040.

2. **Remedy the \$3,225,800 drawn down (which includes the \$322,580 drawn down unaccounted for at the time of fieldwork) and \$53,402 interest allocated to grant number 2001-JB-BX-0040.**

We agree with the recommendation. We will coordinate with the OJA to remedy the \$3,255,800 drawn down and the \$53,402 interest allocated to grant number 2001-JB-BX-0040.

## APPENDIX V

3. **Remedy the \$2,677,300 drawn down and the \$53,141 interest allocated to grant number 2002-JB-VX-0028.**

We agree with the recommendation. We will coordinate with the OJA to remedy the \$2,677,300 drawn down and the \$53,141 interest allocated to grant number 2002-JB-VX-0028.

4. **Remedy the \$2,603,000 drawn down and the \$32,126 interest allocated to grant number 2003-JB-BX-0014.**

We agree with the recommendation. We will coordinate with the OJA to remedy the \$2,603,000 drawn down and the \$32,126 interest allocated to grant number 2003-JB-VX-0014.

5. **Remedy the \$3,898,306 in OJA's interest-bearing account as of December 1, 2000.**

We agree with the recommendation. We will coordinate with the City to remedy the \$3,898,306 which was in OJA's interest bearing account as of December 1, 2000.

6. **Ensures that OJA develops and implements financial and programmatic procedures to adequately administer and manage JAIB grant funds on a per grant basis in areas such as:**

- **developing accounting records that accurately and systematically tracks and categorizes receipts of federal funds, matching program costs, interest income from the state accounts, and expenditures;**
- **obtaining adequate support documentation from subrecipients for their expenditures;**
- **developing equipment inventory records in accordance with Oklahoma laws and procedures; and**
- **ensuring that OJA's documentation agrees with the documentation from the Office of State Finance.**

We agree with the recommendation. We will coordinate with the OJA to provide a written response specifying financial and programmatic procedures developed to adequately administer and manage JAIB grant funds as prescribed above.

7. **Ensure that OJA develops and implements a reasonable methodology to allocate expenses and interest earned to multiple, on-going JAIB grants so that finance and program personnel know the current balance of federal funds available for each grant.**



## APPENDIX V

We agree with the recommendation. We will coordinate with the OJA to provide a written response specifying the reasonable methodology developed and implemented to allocate expenses and interest earned to multiple, on-going JAIB grants so that finance and program personnel know the current balance of federal funds available for each grant.

We appreciate the opportunity to review and comment on the draft report. We will continue to work with the OJA to address the recommendations. If you have any questions or require additional information, please contact Andrea McIntosh of my staff at (202) 616-2905.

cc: Richard P. Theis  
Acting Assistant Director  
Audit Liaison Group

Robert Flores  
Administrator  
Office of Juvenile Justice and Delinquency Prevention

William Woodruff  
Deputy Administrator  
Office of Juvenile Justice and Delinquency Prevention

Marilyn Roberts  
Audit Liaison, Special Advisor  
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Chryl Penn  
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Thomas Murphy  
Program Manager  
Office of Juvenile Justice and Delinquency Prevention

OJP Executive Secretariat  
Control Number 20051742

Official Grant File 2000-JB-VX-0040  
Official Grant File 2001-JB-BX-0040  
Official Grant File 2002-JB-BX-0028  
Official Grant File 2003-JB-BX-0014

## **OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT**

The Office of the Inspector General (OIG) issued a draft audit report with seven recommendations to the Oklahoma Department of Juvenile Justice, Office of Juvenile Affairs (OJA), and to the Office of Justice Programs (OJP) on November 17, 2005. We received comments from both agencies. As in all Department grant audits, we make recommendations to OJP rather than the grantee because they are the responsible Department of Justice program office. OJP agreed with all seven recommendations. While the Oklahoma OJA did not respond directly to our audit recommendations, its response raised several issues with our audit findings.

This appendix is divided into two parts. In the first part, we respond to several of the major comments raised by the Oklahoma OJA in its response. The second part contains the status of the audit report's recommendations and summarizes the actions necessary for closure by OJP.

### **Part I — OIG Response to the Oklahoma Department of Juvenile Justice, Office of Juvenile Affairs Comments**

#### **Reporting Issues**

##### **A. Submission of Financial Reports**

On page 4 of its response, the Oklahoma OJA stated that "only 2 of the 20 FSRs were not submitted timely." OJA acknowledged that some of the FSRs submitted were revised outside the required 45-day reporting period and one grant was not closed out timely.

As detailed in our draft audit report and demonstrated in the table below, our audit found that 10 of the 20 Financial Status Reports (FSRs) were not submitted in a timely manner. In addition, we could not determine whether one FSR was submitted timely. We did not count FSRs that were revised after their due date as submitted on time.

## APPENDIX VI

| Grant Number    | FSR Ending Period | Days Late        |
|-----------------|-------------------|------------------|
| 2000-JB-VX-0040 | 3/31/04           | 160              |
|                 | 6/30/04           | UTD <sup>1</sup> |
|                 | 9/30/04           | 182              |
|                 | 12/31/04          | 90               |
| 2001-JB-BX-0040 | 3/31/04           | 75               |
| 2002-JB-BX-0028 | 3/31/04           | 76               |
|                 | 12/31/04          | 95               |
|                 | 3/31/05           | 5                |
|                 | 6/30/04           | 68               |
|                 | 12/31/04          | 99               |
|                 | 3/31/05           | 9                |

<sup>1</sup> Unable to determine  
Source: OIG Data

### B. Accuracy of Financial Reports

Our audit also found that 15 of 20 FSRs were inaccurate when compared to OJA's accounting records. On page 4 of its response, the Oklahoma OJA agreed that "some of the FSRs need to be adjusted" but stated it appeared that the OIG's calculations are "based on an expenditure report created by the Auditors that contained duplicate entries."

The documentation provided by the Oklahoma OJA in Tab F was a hand-written document created by OIG auditors containing a list of transactions to be sampled. Our list contained two duplicate entries from OJA's accounting records. We excluded the duplicate entries from the data provided by OJA, compared the FSRs to OJA's accounting records, and determined that 15 FSRs were incorrect. We used the original data provided to us by OJA at the time of our field work to conduct this analysis. As stated in our draft report, the discrepancies between the FSRs and the accounting records ranged from approximately \$113,000 to approximately \$297,000.

### Grant Drawdowns

#### A. Deposit of All Grants Into a Single Account

Our audit found that OJA deposited the funds from all four grants under review into the same interest-bearing account. On page 6 of its response, OJA stated that the Oklahoma Office of State Finance limited OJA to one account for all JAIB grant (Juvenile Accountability Incentive Block Grant) awards. OJA said that in fiscal year 2005, it implemented a system that utilizes CFDA (Catalog of Federal Domestic Assistance) extensions, and under this system all grants are reconciled on a monthly basis.

## APPENDIX VI

During our audit, we found that OJA had begun to use CFDA extension numbers. Even with OJA's use of CFDA extension numbers, we could not determine that expenses or interest were accurately charged to OJA's grants because they did not always identify the grant number to be charged. Commingling multiple grant funds into a single account would not necessarily be a problem if revenues and expenses could be separately identified by grant.

### B. Drawdown Not Recorded on Monthly Activity Statements

Our audit found that OJA could not account for one drawdown in the amount of \$322,580 for which there was no record on the Monthly Activity Statements. On page 6 of its response, the OJA stated the funds were shown in the Cash Journal, but that this audit only reviewed the Investment Journals. They also provided a February 28, 2002, Monthly Deposit Report (Tab H) which showed that the drawdown was received.

While on site, the auditors requested documentation that supported the deposit of grant funds drawn down and were provided with the Monthly Activity Statements. We found that one drawdown for \$322,580 was not recorded on their Monthly Activity Statements. We were not provided the Cash Journal which showed that the \$322,580 was received. Further, the documentation provided by OJA, in response to the draft report, did not show that the funds were deposited into OJA's interest-bearing account where all drawdowns are deposited, expenses are charged, and interest is earned on available balances.

### Budget Management and Control

Our audit found that retaining the majority of the grant funds at the state level adversely affects the efforts of local governments to improve juvenile programs and services. On page 6 of its response, OJA disagreed with this finding.

A restatement below of OJA's funding allocation for the 2003 grant supports our observation. Only 25 percent of available funding was subcontracted to local governments.

| OJA's Funding Allocation             | Amount      |
|--------------------------------------|-------------|
| Award Amount                         | \$2,063,000 |
| 10% Fiscal Agent Fee to OJA          | \$206,300   |
| Funds Remaining                      | \$1,856,700 |
| 75% Retained by OJA, Approved by OJP | \$1,392,525 |
| 25% Available to Local Governments   | \$464,175   |

Source: OJA's accounting records as of May 31, 2005.

## APPENDIX VI

Given the extent of the problems we found with the management of grant funds at the OJA, it is our opinion that retaining grant funds at the state level adversely affects the efforts of local governments to improve juvenile programs and services.

### **Program Income**

Our audit found that all JAIB grant funds were deposited into the same interest-bearing account, a weak accounting practice. During our audit, we asked OJA officials to describe the method used to allocate interest to each of the grants, which they could not do. On page 8 of its response, OJA stated that "prior to November 2003, the interest accrued each month was based on grant balances in the investment account. After November 2003, due to improvements in the Oklahoma State Treasurer's system, interest was accrued based on the entire grant balance (investment and cash). Interest is allocated on a monthly basis based on the average daily balance of each grant award."

However, at the time of our audit, we found that interest was allocated by an OJA federal funds accountant using spreadsheets and was not reflected in the state's official accounting system. The OJA federal funds accountant was unavailable during our audit field work, and other OJA officials were unable to describe the methodology used by this accountant to allocate interest.

### **Matching Program Costs**

The JAIB grant program provides that federal funds may not exceed 90 percent of the total program costs, including funds set aside for administration. Our audit found that accounting data provided by the Oklahoma OJA indicated that as of May 31, 2005, at least 10 percent of the program costs were matched by the state of Oklahoma and various subgrantees for all four grants reviewed by the OIG.

However, additional analysis of the same accounting data showed that federal funds accounted for 97 percent of the total expenditures for grant number 2000-JB-VX-0040. Furthermore, this same data showed that as of May 31, 2005, federal funds exceeded the award amounts for two grants (2000-JB-VX-0040 and 2001-JB-BX-0040) by \$170,313, or 5 percent of the award amount, and \$751,592, or 23 percent of the award amount respectively. On page 8 of its response, OJA presented an analysis and asserted that it was in compliance with the 90-percent requirement.

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While the table provided in OJA's response supports its assertion of compliance with the 90-percent matching requirement, the underlying data that OJA provided to us during the audit does not support that assertion. The table in OJA's response stated locality returns as \$131,398.35; however, the amount of locality returns provided to us during field work was only \$117,200.87. Further, OJA did not provide supporting documentation for the revised data. Consequently, we believe our analysis was accurately reported based on the data OJA provided to us during field work.

### **Grant Expenditures**

Our audit found that in some instances a single expenditure, e.g., payroll, was paid from multiple funding sources. Further, OJA's documentation did not always indicate to which grant the expenses were allocated. On page 11 of its response, OJA stated that it consistently applied a "first-in first-out methodology for allocating continual programs and administrative expenses" ... in order to ... "fully utilize the funds for the approved purpose areas and the objectives approved by OJJDP in the allotted three-year time frame." However, OJA's statement that it consistently applied a first-in first-out methodology does not respond to our finding that OJA at times paid a single expenditure from multiple funding sources and failed to consistently indicate to which grant it allocated such expenses.

In addition, our audit found that OJA was using federal grant funds from FY 2003 and earlier to pay for FY 2005 OJA expenses, which is not permitted. On page 13 of its response, OJA states that it used its grant award funds within the allowed 3-year grant period. However, OJA did not provide any detail or documentation to support this statement.

Furthermore, our audit of the OJA's accounting records support our finding. The OJA was using FY 2003 and earlier grant funds to pay for FY 2005 OJA expenses. In addition, our audit found that OJA was drawing down federal funds long before the funds were needed to pay for administrative expenditures or subrecipient's claims. In our judgment, the OJA should implement better cash management procedures and return all expired grant funds to the Department.

### **Cash Management**

Our audit found that OJA lacked a defined methodology for allocating expenses and program income. On page 14 of its response, OJA disagreed and indicated that it always had a consistent methodology. OJA stated that it formalized this methodology in a written procedure dated March 21, 2005.

## APPENDIX VI

While our audit covered the period of July 28, 2000, through August 3, 2005, OJA did not provide a copy of this policy to us during our field work. In addition, we found no evidence that this policy had been implemented for the four grants audited.

### Part II – Status of Recommendations and Department of Justice, Office of Justice Programs, Actions Necessary to Close the Report

#### Recommendation Number:

1. **Resolved.** OJP agreed with our recommendation. Therefore, this recommendation can be closed when OJP provides: (a) OJA's accounting for the federal award amount, the local match amount, and the interest earned; and (b) certifies that OJA and its subrecipients either expended the grant funds and earned interest or returned the unspent grant funds in accordance with the Juvenile Accountability Incentive Block Grant Guidance Manual. For grant number 2000-JB-VX-0040, the funds should have been expended by February 5, 2003, and if not, any remaining or unobligated funds for this expired grant should be returned to the Department.<sup>11</sup>
2. **Resolved.** OJP agreed with our recommendation. Therefore, this recommendation can be closed when OJP provides: (a) OJA's accounting for the federal award amount, the local match amount, and the interest earned; and (b) certifies that OJA and its subrecipients either expended the grant funds and earned interest or returned unspent grant funds in accordance with the Juvenile Accountability Incentive Block Grant Guidance Manual. For grant number 2001-JB-BX-0040, funds should have been expended by March 28, 2004.<sup>12</sup> Any remaining or unobligated funds for this expired grant should be returned to the Department.
3. **Resolved.** OJP agreed with our recommendation. Therefore, this recommendation can be closed when OJP provides: (a) OJA's accounting for the federal award amount, the local match amount, and the interest earned; and (b) certifies that OJA and its subrecipients either expended the grant funds and earned interest or returned unspent grant funds in accordance with the Juvenile Accountability Incentive Block Grant Guidance Manual. For grant

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<sup>11</sup> Funds not expended should have been returned to OJP by May 5, 2003.

<sup>12</sup> Funds not expended should have been returned to OJP by June 28, 2004.

## APPENDIX VI

number 2002-JB-BX-0028, funds should have been expended by December 24, 2004.<sup>13</sup> Any remaining or unobligated funds for this expired grant should be returned to the Department.

4. **Resolved.** OJP agreed with our recommendation. Therefore, this recommendation can be closed when OJP provides: (a) OJA's accounting for the federal award amount, the local match amount, and the interest earned; and (b) certifies that OJA and its subrecipients either expended the grant funds and earned interest or returned unspent grant funds in accordance with the Juvenile Accountability Incentive Block Grant Guidance Manual. For grant number 2003-JB-BX-0014, funds should be expended by January 21, 2006.<sup>14</sup> Any remaining, or unobligated funds for this expired grant should be returned to the Department.
5. **Resolved.** OJP agreed with our recommendation. Therefore, this recommendation can be closed when OJP provides a detailed analysis of the action taken and the source and use of the \$3,898,306 in OJA's interest-bearing account as of December 1, 2000.
6. **Resolved.** OJP agreed with this recommendation. Therefore, this recommendation can be closed when OJP certifies to us that the financial and programmatic procedures implemented by OJA are: (a) adequate to administer and manage Juvenile Accountability Incentive Block Grant funds on a per-grant basis, and (b) acceptable to the responsible OJP management officials.
7. **Resolved.** OJP agreed with our recommendation. Therefore, this recommendation can be closed when OJP certifies to us that OJA's methodology to allocate expenses and interest earned for multiple, on-going Juvenile Accountability Incentive Block Grant funds are: (a) adequate to ensure that OJA finance and program staff know the current balance of federal funds available for each grant, and (b) acceptable to the responsible OJP management officials.

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<sup>13</sup> Funds not expended should have been returned to OJP by March 24, 2005.

<sup>14</sup> Funds not expended should be returned to OJP by April 21, 2006.