



Audit of the Office of Justice Programs Bureau
of Justice Assistance Second Chance Act Smart
Reentry Program Grant Awarded to Delaware
Criminal Justice Council,
Wilmington, Delaware



AUDIT DIVISION

23-069

MAY 2023



EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Bureau of Justice Assistance Second Chance Act Smart Reentry Program Grant Awarded to Delaware Criminal Justice Council, Wilmington, Delaware

Objectives

The Office of Justice Programs (OJP) Bureau of Justice Assistance awarded the Delaware Criminal Justice Council (CJC) a grant totaling \$1,000,000 for the Second Chance Act Smart Reentry Program. The objectives of this audit were to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether CJC demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that the CJC demonstrated adequate achievement of grant performance goals. In addition, we did not identify significant concerns regarding CJC's budget management, drawdown procedures, or financial reporting. However, we identified an area for improvement in CJC's policies related to compliance with state procurement regulations.

Recommendation

Our report contains one recommendation for the Office of Justice Programs (OJP) to address the above deficiency. We requested a response to our draft audit report from CJC and OJP, which can be found in Appendices 2 and 3, respectively. Our analysis of those responses is included in Appendix 4.

Audit Results

The purposes of the OJP grant we reviewed were to develop and implement comprehensive and collaborative reentry strategies, to increase public safety, and reduce recidivism for individuals reentering communities from incarceration who are at medium to high risk of recidivism. The project period for the grant was from October 2017 through September 2021. In total, CJC drew down a cumulative amount of \$844,189 for the grant we reviewed.

Program Goals and Accomplishments

We determined that CJC demonstrated adequate achievement of grant performance goals to create a seamless offender reentry process and provide for pre and post release reentry planning services to 200 adult offenders.

Contractual

We found CJC lacked agency-level written policies to make and document procurement decisions in compliance with state regulations.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the grant awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance to the Delaware Criminal Justice Council (CJC) in Wilmington, Delaware. The CJC was awarded one grant totaling \$1,000,000, as shown in Table 1.

Table 1

Grant Awarded to the Delaware Criminal Justice Council

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date ^a	Award Amount
2017-CZ-BX-0010	BJA	09/21/2017	10/01/2017	09/30/2021	\$1,000,000

^a CJC received a 1-year extension for its 2017 award.

Source: OJP's Grant Management System

Funding through the Second Chance Act Smart Reentry Program supports the Department's mission to provide resources to plan and implement more effective evidence-based reentry practices and service delivery systems that address individuals' needs and reduce recidivism.

The Grantee

The CJC serves as the State of Delaware's State Administering Agency of multiple federal grant programs intended to enhance the criminal justice system within the state. According to CJC, in performing this role, CJC strives to effectively lead the criminal justice system with a collaborative approach relying on the experience and creativity of its members to improve the system to be fair, efficient, and accountable.

OIG Audit Approach

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

We tested compliance with what we considered to be the most important conditions of the grant. The DOJ Grants Financial Guide; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and the award documents contain the primary criteria we applied during the audit. The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objectives, scope, and methodology.

Audit Results

Program Performance and Accomplishments

We reviewed required performance reports, grant solicitations and documentation, and interviewed CJC officials to determine whether CJC demonstrated adequate achievement of program goals and objectives. We also reviewed progress reports to determine if the required reports were accurate. The following sections describe the results of our review.

Program Goals and Objectives

The goals of the Second Chance Act Smart Reentry program are to support states to develop and implement comprehensive and collaborative reentry strategies, to increase public safety, and reduce recidivism for individuals reentering communities from incarceration who are at medium to high risk of recidivism.

To achieve the program goal of developing and implementing the comprehensive and collaborative reentry strategy, CJC stated that it would use award funds to integrate a standard reentry practice into its corrections system to create seamless offender reentry processes. During our fieldwork, CJC demonstrated that it relied on three subrecipients—a state agency, university, and nonprofit—to complete the integration of standard reentry practices into its corrections system.

Additionally, CJC identified its target population goal to include 200 high, medium high, and moderate risk adult offenders for reentry planning, and an overall 10 percent reduction in recidivism. In its mandatory final report, CJC's university subrecipient reported that CJC provided services to over 200 high, medium high, and moderate risk adult offenders for pre and post release reentry planning.

Based on our review, there were no indications that CJC did not adequately achieve the stated goals and objectives of the grant.

Required Performance Reports

According to the DOJ Grants Financial Guide, funding recipients should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in a program solicitation. To verify the information in the progress reports, we selected a sample of four performance measures from the most recent report submitted for the grant. We then traced the items to supporting documentation maintained by CJC. Based on our progress report testing, we did not identify any instances where the accomplishments described in the required reports did not match the supporting documentation.

Grant Financial Management

According to the DOJ Grants Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. To assess CJC's financial management of the grant covered by this audit, we conducted interviews with financial staff, examined policies and procedures, and inspected grant documents to

determine whether CJC adequately safeguarded the grant funds we audited. We also reviewed CJC’s Single Audit Report for fiscal year 2020 to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we performed testing in the areas that were relevant for the management of this grant, as discussed throughout this report. Based on our review, we did not identify significant concerns related to grant financial management.

Single Audit

Non-federal entities that receive federal financial assistance are required to comply with the *Single Audit Act of 1984*, as amended. The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under the Uniform Guidance, such entities that expend \$750,000 or more in federal funds within the entity’s fiscal year must have a “single audit” performed annually covering all federal funds expended that year.

We reviewed Delaware State’s Single Audit Report for the fiscal year ending June 30, 2020, to identify any control weaknesses and significant non-compliance issues related to federal awards. Based on our review, we did not find significant deficiencies or material weaknesses in the Single Audit related to grant administration.

Grant Expenditures

As shown in Table 2 below, CJC used grant funding for personnel, travel and supplies, subrecipients, and contractors costs.

Table 2

Grant Funded Expenditures

Cost Category	Grant Funded Total
CJC Staff Personnel and Fringe Benefits Costs	\$47,280
Travel and Supplies Costs	\$15,332
Subrecipients	\$709,984
Contractors	\$71,593
Total	\$844,189

Source: CJC’s Accounting Systems Data

To determine whether costs charged to the awards were allowable, reasonable, and supported in compliance with award requirements, we tested a sample of transactions; our overall sample totaled \$428,502—or 51 percent of cumulative expenditures. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Based on our testing, we did not identify any concerns with CJC’s personnel and fringe benefits and matching expenditures. However, we found that CJC

lacks agency-level procedures to prepare records that demonstrate compliance with state procurement regulations. The following sections describe the results of our expenditure testing.

Personnel and Fringe Benefit Costs

CJC charged \$47,280 in personnel and fringe benefit costs to the award. As part of our testing, we reviewed 3 payroll transactions totaling \$2,159, which included salary expenditures for 3 employees. We determined all salary charges tested were allowable, necessary, and reasonable according to the grant budget.

Contractual and Subrecipient Expenditures

According to the Uniform Guidance, a subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. Meanwhile, a contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. The overwhelming majority of grant-funded expenditures, \$781,577, were made to entities that CJC considered either subrecipients or contractors. CJC classified and managed three subrecipients and two contractors.

Of the \$709,984 charged in subrecipient costs, we reviewed \$401,848—or 57 percent—and found that the expenditures in our sample were allowable and supported. We also reviewed \$24,495—or 34 percent of the \$71,593 charged in contractual costs—and found that the costs were allowable and supported; however, we identified deficiencies in certain contractor-related actions.

Selection and Monitoring of Contractors

CJC used grant funding to award two contracts in support of this project. The first contract was awarded to a university to provide services to improve Delaware's reentry processes. The second contract was made to an individual to provide services to establish the Delaware Correctional Reentry Commission. As a state agency, CJC is required to follow state procurement regulations for contractors that, depending on circumstances, include a formal request for proposal process for professional services contracts, use of existing contracts, restrictions on sole source contracting, and procedures for emergency contracting to satisfy critical agency needs. When the overall value of the contract is less than \$50,000, agencies are not required to follow these state procurement regulations.

Regarding Contractor 1, we reviewed the written contract in which CJC estimated the value of the contract at \$48,990 based on charges of \$8,165 per month for 6 months, of which \$24,495 was eventually paid from grant funds. Because CJC estimated this contract would not exceed \$50,000, it was exempt from the formal state procurement procedures. However, officials told us they informally solicited offers from two other organizations before awarding the contract to Contractor 1. Officials told us that CJC did not have written policies that describe methods or documentation to record the history of procurements.

CJC officials told us Contractor 2 was awarded a \$202,910 contract and selected based on it having provided similar services for the grant-related project to another state agency in the past and its unique capabilities. However, officials told us they did not document the procurement process for Contractor 2 to demonstrate

compliance with state regulations and did not have any documented procedures at the agency level for ensuring compliance with state procurement regulations.¹

We recommend that OJP ensure that CJC implements controls to ensure that state procurement regulations are followed and supporting documentation is maintained to demonstrate compliance with those regulations.

Selection and Monitoring of Subrecipients

CJC's grant award approved three subrecipients and we determined that CJC adhered to its written subrecipient policy by using a competitive proposal process for selecting one of the subrecipients—a nonprofit organization. For the remaining two subrecipients—another state agency and a university—CJC identified each by name in the grant application approved by OJP, and both were selected without competition.

CJC officials told us that they considered all three subrecipients as low risk for non-compliance with grant terms and conditions based on CJC's extensive experience and familiarity with each subrecipient. Therefore, CJC applied standard monitoring procedures to each organization, including the requirement of monthly or quarterly fiscal reports and quarterly remote or on-site visits by CJC monitoring staff. We reviewed CJC's documented monitoring of these subrecipients and nothing came to our attention to indicate instances of non-compliance with grant terms and conditions on the part of these subrecipients.

Matching Costs

Matching costs are the non-federal recipient's share of the total project's costs that can be contributed as a cash match or an in-kind contribution. CJC was required to provide \$1,000,000, 100 percent of the original grant award, in matching costs. CJC identified personnel costs and other expenditures made by two of its subrecipients to meet the match requirement.

We found that CJC tracked the matching costs made by these organizations as part of its subrecipient monitoring procedures and inspected documentation from CJC's web-based grants management system that reported a total \$1,055,645 in matching costs. Based on our analysis, we did not identify any indications that CJC did not meet the required matching costs.

Budget Management and Control

According to the DOJ Grants Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a request for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

¹ Although the contract was awarded at a value of \$202,910, CJC reduced Contractor 2's role in the project and reduced the budget for this contract. As a result, Contractor 2 was paid \$47,098 and not the entire \$202,910 as awarded.

We compared grant expenditures to the approved budgets to determine whether CJC transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

Drawdowns

According to the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. Additionally, recipients should request funds based upon immediate reimbursement requirements; grant funds will be disbursed over time as project costs are incurred or anticipated. We found that CJC drawdowns were based on a reimbursement method only and CJC did not keep excess cash on hand for periods over 10 days. As of September 30, 2021, CJC requested drawdowns totaling \$844,189. To assess whether CJC managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. During this audit, we did not identify significant deficiencies related to the CJC's process for developing drawdown requests and obtaining funds.

Federal Financial Reports

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

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

Conclusion and Recommendation

As a result of our audit testing, we conclude that CJC demonstrated adequate achievement of the grant's stated goals and objectives. In addition, we did not identify significant issues regarding CJC's budget management, drawdown procedures, or financial reporting. However, we found that CJC can improve the documentation to demonstrate compliance with state procurement regulations. We provide one recommendation to OJP to address this deficiency.

We recommend that OJP:

1. Ensure that CJC implements controls to ensure that state procurement regulations are followed and supporting documentation is maintained to demonstrate compliance with those regulations.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

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

Scope and Methodology

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

This was an audit of the Office of Justice Programs (OJP) Bureau of Justice Assistance grant awarded to the Delaware Criminal Justice Council (CJC) under the Second Chance Act Smart Reentry Program. For Grant Number 2017-CZ-BX-0010, which totaled \$1,000,000, CJC had drawn down \$844,189 of the total grant funds awarded as of September 30, 2021. Our audit concentrated on, but was not limited to, October 2017 through September 2021.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of CJC's activities related to the audited grant. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, subrecipient and contractor expenditures, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The Department of Justice (DOJ) Grants Financial Guide; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System, DOJ's JustGrants System, as well as CJC's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole; therefore, any findings identified involving information from those systems were verified with documentation from other sources.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of CJC to provide assurance on its internal control structure as a whole. CJC management is responsible for the establishment and maintenance of internal controls in

accordance with 2 C.F.R. § 200. Because we do not express an opinion on CJC's internal control structure as a whole, we offer this statement solely for the information and use of CJC and OJP.²

We assessed CJC management's design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect CJC's ability to effectively operate, comply with laws and regulations, and correctly state financial and performance information. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

² This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: The Delaware Criminal Justice Council Response to the Draft Report



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April 10, 2023

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
US Department of Justice
701 Market Street -Ste 2300
Philadelphia, PA 19106

RE: DE CJC Response to Draft Audit Report -Second Chance Act – Smart Reentry

Dear Mr. Puerzer:

Please accept this response to the Draft Audit Report your office produced on March 27, 2023, in reference to the OJP, BJA Second Chance Act – Smart Reentry Program (Fed Grant Award 2017-CZ-BX-0010). On page 7 of the Draft Audit Report there is one recommendation:

1. Ensure that CJC implements controls to ensure that state procurement regulations are followed and supporting documentation is maintained to demonstrate compliance with those regulations.

The Delaware Criminal Justice Council concurs with this recommendation and agrees that the CJC can improve the documentation to demonstrate compliance with state procurement regulations. To that end, when a contract does not reach the state threshold for the formal procurement regulation, the CJC will develop an internal policy to a.) determine whether an entity should be a contractor or a grant sub-recipient, b.) create a process for selecting any contractors below the state threshold, and c.) outline the details for maintaining documentation on the contractor selection process. This policy will take no longer than sixty (60) days from receipt of the final OIG report.

Thank you to you and your staff for your professionalism and your flexibility with this lengthy process. We look forward to working with the Office of Justice Programs to close this audit report.

If you have any additional questions or need additional information, please feel free to contact me at 302-577-8699 or by email at Christian.Kervick@delaware.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CKervick', written over the word 'Sincerely,'.

Christian L. Kervick
Executive Director

Cc: Linda Taylor, OJP
Scott McLaren, DE CJC
Amanda Bohall, DE CJC
Valarie Tickle, DE CJC

APPENDIX 3: The Office of Justice Programs Response to the Draft Report



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

April 14, 2023

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

FROM: Ralph E. Martin
Director *Ralph E. Martin*

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance Second Chance Act Smart Reentry Program Grant Awarded to Delaware Criminal Justice Council, Wilmington, Delaware*

This memorandum is in reference to your correspondence, dated March 27, 2022, transmitting the above-referenced draft audit report for the Delaware Criminal Justice Council (CJC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **one recommendation** and no questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendation. For ease of review, the recommendation is restated in bold and is followed by our response.

- 1. We recommend that OJP ensure that CJC implements controls to ensure that state procurement regulations are followed and supporting documentation is maintained to demonstrate compliance with those regulations.**

OJP agrees with this recommendation. In its response, dated April 10, 2023, CJC stated that it can improve the documentation to demonstrate compliance with state procurement regulations. In that regard, CJC stated that it will develop an internal policy, within 60 days from receipt of the final audit report, to address situations when a contract does not reach the state threshold for the formal procurement regulations.

Accordingly, we will coordinate with CJC to obtain a copy its written policies and procedures, developed and implemented, to ensure that state procurement regulations are followed, and the supporting documentation is maintained to demonstrate compliance with those regulations.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936 or (202) 598-0529.

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APPENDIX 4: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The Office of the Inspector General (OIG) provided a draft of this audit report to the Office of Justice Programs (OJP) and the Delaware Criminal Justice Council (CJC). CJC's response is incorporated in Appendix 2 and the OJP's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP agreed with our recommendation, and as a result, the status of the audit report is resolved. CJC concurred with our recommendation. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation for OJP:

- 1. Ensure that CJC implements controls to ensure that state procurement regulations are followed and supporting documentation is maintained to demonstrate compliance with those regulations.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with CJC to obtain a copy of its written policies and procedures, developed and implemented, to ensure that state procurement regulations are followed, and supporting documentation is maintained to demonstrate compliance with those regulations. As a result, this recommendation is resolved.

CJC concurred with our recommendation and stated in its response that it will develop an internal policy to: (a) determine whether an entity should be a contractor or a grant subrecipient, (b) create a process for selecting any contractors below the state threshold, and (c) outline the details for maintaining documentation on the contractor selection process.

This recommendation can be closed when we receive evidence that CJC has implemented controls to ensure that state procurement regulations are followed and supporting documentation is maintained to demonstrate compliance with those regulations.