



Audit of the Office of Justice Programs
Services and Transitional Housing for
Trafficking Victims Grants Awarded to
the Healing Action Network, Inc.,
St. Louis, Missouri



AUDIT DIVISION

24-063

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EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Services and Transitional Housing for Trafficking Victims Grants Awarded to the Healing Action Network, Inc., St. Louis, Missouri

Objectives

The Office of Justice Programs (OJP) Office for Victims of Crime awarded the Healing Action Network, Inc., (Healing Action) two grants totaling \$1,041,706 to provide services and transitional housing for human trafficking victims. The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether Healing Action demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

We concluded that Healing Action demonstrated adequate progress towards achieving program goals and objectives of the grants. In addition, we did not identify significant concerns regarding Healing Action's performance reporting or budget management and control. However, we identified areas of improvement related to Healing Action's grant financial management, including the lack of adequate policies and procedures to help properly manage the grants. We also identified \$6,473 in net questioned costs related to consultant and other direct cost expenditures.

Recommendations

Our report contains five recommendations to OJP to help Healing Action improve its grant management. We provided our draft audit report to Healing Action and OJP officials, and their responses can be found in Appendices 3 and 4, respectively. Our analysis of those responses can be found in Appendix 5.

Audit Results

The purpose of grant number 2020-VT-BX-0122 was to enhance services for human trafficking victims with a grant project period from October 2020 through May 2024. The purpose of grant number 15POVC-21-GG-03962-HT was to provide transitional housing to victims of human trafficking with a grant project period from December 2021 through September 2024. As of October 2023, Healing Action drew down a cumulative amount of \$598,764 for both grants we reviewed. We concluded that Healing Action demonstrated adequate progress towards achieving the grants' stated goals and objectives. However, we identified issues related to its financial policies and procedures, grant expenditures, drawdowns, and Federal Financial Reports (FFR).

Grant Expenditures

We identified \$6,473 in net questioned costs because Healing Action charged for consultant costs that were not in OJP's approved budget and exceeded OJP's authorized rate, as well as Healing Action's inability to provide adequate supporting documentation for other direct costs.

Drawdowns

We found that Healing Action did not have procedures for drawdowns and routinely requested drawdowns that did not ensure federal cash was disbursed within 10 days.

Federal Financial Reports

We determined that 100 percent of the FFRs tested did not match Healing Action's accounting records. We also determined that Healing Action lacked procedures for completing its FFRs.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of two grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) under its Services for Human Trafficking Victims Program and its Housing Assistance Grants for Victims of Human Trafficking Program to the Healing Action Network, Inc. (Healing Action) in St. Louis, Missouri. Healing Action was awarded the two grants totaling \$1,041,706, as shown in Table 1.

Table 1

Grants Awarded to the Healing Action

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2020-VT-BX-0122	OJP	09/21/2020	10/01/2020	05/31/2024	\$452,655
15POVC-21-GG-03962-HT	OJP	12/07/2021	10/01/2021	09/30/2024	\$589,051
Total:					\$1,041,706

Source: DOJ's JustGrants System

The grants awarded to Healing Action support services for victims of human trafficking and sexual exploitation. The goal of Healing Action's 2020-VT-BX-0122 award is to develop, expand, or strengthen service programs for victims of human trafficking, including programs that provide trauma-informed services. The goal of Healing Action's 15POVC-21-GG-03962-HT award is to provide funding for safe, stable housing and appropriate services to victims of human trafficking.

The Grantee

Healing Action is a 501(c)(3) non-profit organization located in St. Louis, Missouri, whose mission includes partnering with survivors and the community to end commercial sexual exploitation through community awareness, client advocacy, and various services, including trauma therapy and basic needs assistance. Founded in 2015, Healing Action is led by an Executive Director and employs a staff of 15 employees.

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants; and to determine whether Healing Action 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 (FFR).

We tested compliance with what we considered to be the most important conditions of the grants. The DOJ Grants Financial Guide; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit

Requirements for Federal Awards (Uniform Guidance); and the award documents contain the primary criteria we applied during the audit.

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

Audit Results

Program Performance and Accomplishments

Healing Action received its funding from DOJ to provide survivors of human trafficking with long-term therapy and transitional housing support services. We reviewed semiannual progress reports, award solicitations, and award documents, as well as interviewed Healing Action officials to determine whether Healing Action demonstrated adequate progress towards achieving its program goals and objectives. We also reviewed Healing Action’s compliance with select special conditions identified in the award documentation. Overall, we found that Healing Action has made progress towards achieving its program goals and objectives and complied with the grants’ special conditions.

Program Goals and Objectives

In September 2020, Healing Action received award funds under the 2020 Services for Human Trafficking Victims Program to enhance services by providing long-term, trauma-informed, evidence-based therapy specifically tailored to the individual needs of human trafficking victims. In December 2021, Healing Action received additional award funds under the 2021 Housing Assistance for Victims of Human Trafficking Program to provide 6 to 24 months of transitional housing with support services to victims of human trafficking. According to the 2020 and 2021 award solicitations, each award included program objectives, which are summarized in Table 2.

Table 2

Summary of Award Program Objectives

Award	Objective	Status
<p data-bbox="185 1276 431 1369">2020-VT-BX-0122 Services for Victims of Trafficking</p> 	Provide services to meet the individualized needs of human trafficking victims	In Progress – On Track to Meet Objectives
	Collaborate with and train local partners to ensure victims are properly identified and referred for appropriate services	
	Refer victims to other essential services	
	Data collection and program evaluation	
<p data-bbox="168 1528 454 1654">15POVC-21-GG-03962-HT Housing Assistance for Victims of Human Trafficking Programs</p> 	Provide housing interventions and related support services to human trafficking victims	In Progress – On Track to Meet Objectives
	Collaboration with and training for local partners to ensure victims are properly identified and referred for appropriate housing and services	
	Refer victims to other essential services	
	Improvement of outcomes for human trafficking victims by providing support services	
	Data collection and program evaluation	

Source: OVC Fiscal Year (FY) 2020 and FY 2021 Award Solicitations

To assess Healing Action's progress related to these objectives, we judgmentally selected a sample of three activities from both awards, requested supporting documentation, and reviewed progress report narratives. In addition, we discussed program accomplishments with responsible Healing Action personnel. Based on our review, we found that Healing Action demonstrated adequate progress towards achieving the grants' program goals and objectives, including increasing the number of hours for individuals receiving therapy, expanding the timeframe of long-term therapy, providing housing services to victims, and collaborating with local partners to provide appropriate services. For example, Healing Action was able to: (a) increase the timeframe of therapy provided to victims from an average of 8 months to an average of 15 months, (b) meet its goal of providing clients with individualized case management plans, and (c) successfully provide 20 families with transitional housing.

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 the program solicitation. Based on the grants awarded, Healing Action is required to semiannually report human trafficking performance measures to the OVC. To verify the information in Healing Action's semiannual progress reports, we selected a judgmental sample of two performance measures from each grant for the 6-month periods ending June 2022 and June 2023. We then traced the performance measures to supporting documentation maintained by Healing Action and found that the tested performance measures matched the supporting documentation.

Compliance with Special Conditions

Special conditions are the terms and conditions included with grant awards. We reviewed each grant's special conditions and selected a judgmental sample of three special conditions that we deemed significant to grant performance and are not addressed in another section of this report. Specifically, we reviewed Healing Action's notification to OJP about the replacement of key personnel; evidence that key project staff attended training within their first 12 months of being hired; and documentation that all Healing Action training costs were used for staff, partner staff, or community service providers. Based on our review, we did not identify any instances of non-compliance regarding these special conditions.

Grant Financial Management

According to the DOJ Grants Financial Guide, all grant recipients are required to establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. Written policies and procedures are essential for the establishment of internal controls to ensure that those controls are understood and consistently implemented. Management is responsible for the design and implementation of these policies and procedures.

To assess Healing Action's financial management of the audited grants, we interviewed Healing Action officials, including its external accountant; examined Healing Action's Operational Manual; and reviewed award documents and Healing Action's most recent audited financial statements. We also performed testing in the areas that were relevant for the management of these grants, as discussed throughout this report.

Healing Action uses a commercially available accounting software to account for its grant funds. Healing Action's external accountant performs accounting activities and monthly banking reconciliations. Although Healing Action's accounting software appears to be adequate to account for grant funds, we identified deficiencies in Healing Action's system of internal control that we believe are the result of inadequately developed and implemented policies and procedures. Specifically, we found that Healing Action's Operational Manual does not contain guidance on important grant financial management activities, including grant expenditures, drawdowns, and FFRs; and that Healing Action did not always adhere to its own policies for consultant selection. In addition, Healing Action did not provide adequate oversight of external accounting activities and circumvented internal control procedures over the use of its debit card, as discussed below.

- **Oversight of External Accounting Activities.** Healing Action relies on its external accountant for all accounting functions, including to draw down funds and identify amounts to be reported on its FFRs. However, Healing Action did not monitor the external accountant's activities to ensure compliance with DOJ Grants Financial Guide requirements, which are discussed in the [Drawdowns](#) and [Federal Financial Reports](#) sections of this report. When entities do not ensure proper oversight of contracted services, they cannot be sure that the services are complying with the DOJ Grants Financial Guide and the terms and conditions of the awards.
- **Debit Card Access.** Healing Action's Operational Manual states that its debit card remains locked in a storage box in the Quality Assurance Director's office, and that it should only be used with approval by the Executive Director or Quality Assurance Director when no other payment method is accepted. However, we found that at least one other employee had access to the debit card when the Quality Assurance Director was not available. In addition, another employee told us that they stored Healing Action debit card information on a transportation app and, when needed, obtained the physical debit card to make other purchases and was rarely questioned about the nature of those purchases. We believe there is an increased risk of improper purchases when entities do not adhere to established internal control procedures.

Due to the internal control weaknesses noted, we determined that oversight of external accounting activities and controls over debit card access could be improved. Therefore, we recommend that OJP coordinate with Healing Action to enhance their financial policies and procedures to ensure contracted accounting activities comply with DOJ Grants Financial Guide requirements and the terms and conditions of grants, as well as to improve internal controls over its debit card access. We discuss additional grant financial management policy areas needing improvement in the following sections of this report.¹

Grant Expenditures

Healing Action's approved budgets for both grants included personnel, fringe benefits, procurement contracts, other direct costs, and indirect costs. According to Healing Action's accounting records, Healing Action expended grant funds totaling \$567,253 as of July 2023. Healing Action was also required to expend a total of \$347,238 in matching funds for both awards combined, which represents a 25-percent local match. To determine whether costs charged to the awards were allowable, supported, and properly

¹ In the [Conclusion and Recommendations](#) section of this report, we make one recommendation that consolidates the individual grant financial management policy issues identified in the report.

allocated in compliance with award requirements, we tested a judgmental sample of 60 transactions totaling \$35,737, which included reviewing supporting documentation, such as accounting records, time and effort reports, and invoices. The following sections describe the results of that testing.

Personnel and Fringe Benefit Costs

According to the DOJ Grants Financial Guide, award recipients are required to apply a system of internal controls that provides a reasonable assurance that charges are accurate, allowable, and properly allocated. In addition, salaries and fringe benefits provided by federal awards must be based on records that accurately reflect the work performed and comply with the established policies and practices of the organization. Salaries and wages are also required to be supported by items, such as timesheets, time and effort reports, or other activity reports.

For both grants, we selected a sample of 10 personnel costs for 2 non-consecutive months totaling \$14,624 out of the \$251,628 in personnel costs charged to the awards. For each pay period, we verified whether costs identified in Healing Action's financial records reconciled to payroll records, time and effort reports, and personnel costs approved for each employee. We found all personnel expenditure transactions within the sample we tested were properly computed, authorized, recorded, and allocated appropriately to the grants.

We also tested fringe benefit expenditures to determine if the expenditures were allowable, supported, and properly allocated. For both grants, we selected a sample totaling \$3,773 out of the \$62,377 in fringe benefit costs charged to the awards. According to Healing Action's external accountant, fringe benefit costs are allocated based on employee time and effort spent on award activities. For each award, we compared Healing Action's fringe benefit costs with the time and effort reports for each employee. We verified that Healing Action's fringe benefits were computed, authorized, recorded, and allocated appropriately to the grants.

Consultants Costs

Healing Action charged \$3,925 to grant award 2020-VT-BX-0122 for four consultants. However, none of the consultants were identified in the OJP-approved budget. Therefore, we deem the \$3,925 charged for consultants to be unallowable. A Healing Action official told us that the organization faced a high level of turnover at the outset of the 2020 grant we audited, which caused some issues related to its budget. As a result, we recommend that OJP remedy the \$3,925 in unallowable expenditures related to consultant costs that were not included in the approved grant budget.

Further, according to the DOJ Grants Financial Guide, compensation for individual consultant services is to be reasonable and consistent with that paid for similar services in the marketplace. Prior approval is required when the daily or hourly consultant rate exceeds the established threshold. OJP's current rate threshold is \$650 per day or \$81.25 per hour. In reviewing the \$3,925 in consultant expenditures, we identified one consultant who was paid at a rate of \$125 per hour, or \$43.75 per hour more than the current threshold. Healing Action was unable to provide justification for the use of a higher hourly rate or written prior approval from OJP. In addition, a Healing Action official told us that they were unaware of the hourly rate threshold for consultants. We deemed any payment in excess of \$81.25 per hour to be unallowable,

which totaled \$1,181. Therefore, we recommend that OJP remedy the \$1,181 in unallowable expenditures related to consultant costs that exceeded OJP's authorized rate.

We also determined that Healing Action needs to enhance its Operational Manual to ensure requirements from the DOJ's Grants Financial Guide are appropriately covered, as well as to ensure it is adhering to its own policies. For example, we found that Healing Action's Operational Manual does not address the DOJ's Grants Financial Guide rate threshold nor does it include the DOJ Grants Financial Guide's requirement that consultants need time and effort reports. A Healing Action official told us that they were unaware of these consultant-related requirements. During our testing, we identified three instances where a consultant did not provide sufficient time and effort documentation by failing to document the length of the consultation sessions. However, Healing Action provided additional information in response to our inquiry to confirm the length of the sessions. Finally, Healing Action's Operational Manual states that when securing the services of a consultant, Healing Action will develop the nature and scope of services to be outsourced and obtain three bids for comparable services. Yet, Healing Action was unable to provide documentation that three bids were obtained for any of its consultant expenditures.

Failing to ensure consultant services comply with DOJ Grants Financial Guide requirements increases the risk of grant funding misuse. Therefore, we recommend that OJP ensure Healing Action develops policies and procedures for consultants that comply with DOJ Grants Financial Guide requirements, including prior approval and justification for exceeding the established daily or hourly consultant rate, as well as adequate time and effort reports, and that Healing Action disseminates these policies and procedures to relevant staff. In addition, we recommend that OJP ensure Healing Action reminds staff of its policy to obtain bids for consultant services, when necessary.

Other Direct Costs

Healing Action's approved grant budgets included other direct costs, such as employee training, staff cell phones, client transportation, client rent, and utility assistance. We reviewed Healing Action's accounting records and judgmentally selected a sample of 50 transactions totaling \$17,340. The purpose of sampling these transactions was to determine whether each cost was accurately and appropriately approved according to Healing Action guidelines, as well as being allowable, supported, and recorded in Healing Action's accounting records.

Healing Action was unable to explain or provide support for its allocation of costs for 10 of the sampled transactions, totaling \$2,548, which included expenses for cell phone, monthly bus passes, staff continuing education software, and Healing Action's case management software. Healing Action's practice is to allocate these costs to each grant based on the number of staff working on the grants. However, we were unable to tie the organization's invoice amounts to accounting system records and neither Healing Action staff nor its external accountant were able to explain the methodology used to allocate these costs to the grants. Therefore, we deem the \$2,548 charged to the grants to be unsupported. In addition, we found that Healing Action's Operational Manual does not address the process to allocate organizational costs to grants.

When grantees fail to properly support an allocation of costs, it increases the risk for unsupported or unallowable costs charged to grants. We recommend OJP remedy the \$2,548 in unsupported expenditures related to staff cell phones, monthly bus passes, staff continuing education, and case management software

costs. We further recommend OJP coordinate with Healing Action to develop and implement grant management policies and procedures that ensure costs are properly allocated to awards.

Matching Costs

Matching costs are the non-federal recipient’s share of the total project costs. Matching costs may either be in-kind or cash. The Uniform Guidance requires that matching contributions be verifiable from a recipient’s non-federal records and not be included as contributions from any other federal award. Additionally, according to the DOJ Grants Financial Guide, recipients must maintain records that clearly show the source, amount, and timing for all matched contributions, as well as report match on quarterly FFRs. Further, the DOJ Grants Financial Guide requires that grantees keep detailed records to track all matching funds of state, local, and private organizations.

According to Healing Action’s budgets, it planned to meet its match requirements through other grants and individual donations. Healing Action’s required match was 25 percent for both grant awards as shown in Table 3 below.

Table 3
Healing Action Matching

Award Number	Match Requirement	Federal Share	Match Share	Total
2020-VT-BX-0122	25 percent	\$452,655	\$150,886	\$603,541
15POVC-21-GG-03962-HT	25 percent	\$589,051	\$196,352	\$785,403

Source: DOJ’s JustGrants System

We reviewed Healing Action’s Operational Manual and found that it provided guidance that match obligations must be met using non-federal funds. Additionally, the guidance states that when entering expenditures into the accounting system, Healing Action will ensure that any matching cost is not funded by other federal grants or federal pass-through grants. According to Healing Action, its accounting system is capable of separately recording matching costs for each federal award.

As of September 30, 2023, Healing Action reported a total of \$184,714 in matching costs on its FFRs for both awards. To assess Healing Action’s progress towards fulfilling its match requirements, we requested Healing Action’s records used to track matching costs, as well as supporting documentation for those records. Healing Action’s external accountant explained that Healing Action did not use its accounting system to track its matching costs; instead, the external accountant used workbooks to document Healing Action’s personnel hours that were claimed as match. We were unable to trace the personnel hours in the workbooks to Healing Action’s accounting system records and time sheets to ensure the matching costs were not funded by other federal sources.

We talked to the external accountant about the challenges related to determining if matching costs were funded with other federal sources. Following this discussion, Healing Action’s external accountant manually

created spreadsheets using information from the accounting system to tie to the previously provided workbooks. Based upon our review of a sample of the newly created spreadsheets, we determined that Healing Action's match expenditures were adequately supported and not included as contributions from other federal awards. Due to the challenges encountered with Healing Action's existing mechanism to track matching costs and the need to manually create documentation, Healing Action's external accountant developed a new process to record and track matching costs in Healing Action's accounting system. However, Healing Action had not updated its Operational Manual to include the new procedure to account for match. As a result, we recommend that OJP ensure that Healing Action updates its policies and procedures to record and track all matching cost transactions in its accounting system.

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 Grant Award Modification (GAM) for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

We compared grant expenditures to the approved budgets to determine whether Healing Action transferred funds among budget categories in excess of 10 percent of the total award amounts. While the awards are currently ongoing, 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, award recipients should request funds based upon immediate needs, and the grantee should time drawdown requests to ensure that the federal cash-on-hand is the minimum needed for reimbursements or disbursements made immediately or within 10 days.

To assess whether Healing Action managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed per drawdown to the expenditures in Healing Action's accounting records. We determined that Healing Action did not base its drawdowns on actual expenditures and found that Healing Action routinely requested drawdowns that did not ensure federal cash was disbursed within 10 days. Specifically, we determined that 20 out of Healing Action's 42 drawdowns across both awards did not ensure that disbursements were made within 10 days. Healing Action's external accountant told us that Healing Action had estimated cash needs, including a period where its payroll might not be met. As noted in the [Grant Financial Management](#) section of this report, we determined that Healing Action lacked written procedures for drawdown requests. When grantees maintain excess cash-on-hand, they may receive interest that could be owed to the federal government. To remedy this issue, we recommend that OJP requires Healing Action to develop policies and procedures to ensure drawdowns are based on actual or planned expenditures within the next 10 days and are reviewed and approved by management, as well as maintaining supporting documentation for future auditing purposes.

Federal Financial Reports

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period, as well as cumulative expenditures on each financial report. To complete the FFRs, a Healing Action official told us that Healing Action’s external accountant provided the amount to enter on the FFR. However, we found that Healing Action’s Operational Manual does not contain information regarding the preparation of FFRs.

To assess FFR accuracy, we judgmentally selected five FFRs from each award, compared the cumulative expenditures on those FFRs to Healing Action’s accounting records, and found that none of the FFRs matched the accounting records, as shown in Table 4.

Table 4

FFR Accuracy

Report Number	Cumulative Expenditures per FFR	Cumulative Expenditures per Accounting Records	Difference ^a
Award Number: 2020-VT-BX-0122			
3/31/2022	\$ 81,085	\$ 85,063	\$ (3,978)
6/30/2022	117,354	119,656	(2,303)
9/30/2022	157,320	157,528	(208)
12/31/2022	196,213	196,873	(660)
3/31/2023	232,307	232,379	(72)
Award Number: 15POVC-21-GG-03962-HT			
3/31/2022	\$ 16,041	\$ 15,451	\$ 590
6/30/2022	47,777	44,469	3,308
9/30/2022	85,088	86,779	(1,690)
12/31/2022	155,071	155,309	(238)
3/31/2023	200,620	201,776	(1,157)

^a Any difference between the figures reflected in this column and the resulting calculation using the figures in the preceding two columns is due to rounding.

Source: DOJ’s JustGrants System and Healing Action Accounting Records

Healing Action was also required to report its recipient share, or match, on its FFRs, and we compared these amounts to supporting documentation to assess the accuracy of this information. As mentioned in the [Matching Costs](#) section of this report, Healing Action used workbooks to document Healing Action’s claimed

match. We attempted to reconcile the workbooks to the FFR amounts reported for match but were unable to do so because the workbooks did not list matching expenditures by the date the expense was incurred within each FFR reporting period.

We discussed the FFR inaccuracies with a Healing Action official and Healing Action's external accountant, and neither could account for the differences. In addition, Healing Action's external accountant told us that they did not maintain records from the accounting system to support the FFR amounts reported. We believe that the lack of formal written FFR policies and procedures increases the risk that completing FFRs may not be performed accurately. Therefore, we recommend that OJP ensure Healing Action develops and implements policies and procedures for preparing, reviewing, approving, and submitting accurate FFRs.

Conclusion and Recommendations

As a result of our audit testing, we conclude that Healing Action demonstrated adequate progress towards achieving the grants' stated goals and objectives by providing long-term therapy and transitional housing with support services to victims of human trafficking. However, we identified issues related to its financial policies and procedures, grant expenditures, drawdowns, and FFRs. We provide five recommendations to OJP to address these deficiencies, including to remedy \$6,473 in net dollar-related findings.

We recommend that OJP:

1. Ensure Healing Action establishes and implements grant financial management policies and procedures to help ensure adequate administration of federal grant funds and that all relevant personnel are aware of these policies and procedures. In particular, these policies should cover, at a minimum: (1) improving internal controls over its debit card access; (2) complying with DOJ Grants Financial Guide consultant requirements, including prior approval and justification for exceeding the established daily or hourly consultant rate and adequate time and effort reports as well as ensuring its staff understand and adhere to the policies and procedures; (3) allocating costs properly to awards; (4) recording and tracking all matching cost transactions in its accounting system; (5) ensuring drawdowns are based on actual or planned expenditures within the next 10 days and are reviewed and approved by management, as well as maintaining supporting documentation for future auditing purposes; and (6) preparing and submitting accurate FFRs. In addition, the financial policies and procedures should ensure contracted accounting activities comply with the DOJ Grants Financial Guide requirements and the terms and conditions of the grants.
2. Remedy the \$3,925 in unallowable expenditures related to consultant costs that were not included in the approved grant budget.
3. Remedy the \$1,181 in unallowable expenditures related to consultant costs that exceeded OJP's authorized rate.
4. Ensure Healing Action reminds staff of its policy to obtain bids for consultant services, when necessary.
5. Remedy the \$2,548 in unsupported expenditures related to staff cell phones, monthly bus passes, staff continuing education, and case management software costs.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether Healing Action Network (Healing Action) 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 (FFR).

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), Office for Victims of Crime grants awarded to Healing Action under the Services and Housing Assistance Grants for Victims of Human Trafficking. Specifically, Healing Action was awarded grant number 2020-VT-BX-0122 for \$452,655 and grant number 15POVC-21-GG-03962-HT for \$589,051; and as of October 2023, Healing Action had drawn down \$598,764 of the total grant funds awarded.

Our audit concentrated on, but was not limited to, the period of October 2020 through October 2023. 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.

To accomplish our objectives, we tested compliance with what we considered to be the most important conditions of Healing Action's activities related to the audited grants. Our work included interviews of Healing Action personnel and external accounting staff, as well as reviews of policies and procedures, financial records, and other supporting documents. We performed sample-based audit testing for grant expenditures including personnel and fringe benefit charges, consultant costs, other direct costs, matching, drawdowns, FFRs, and performance reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected.

During our audit, we obtained information from DOJ's JustGrants System, as well as Healing Action's accounting system specific to the management of DOJ funds and payroll 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 Healing Action to provide assurance on its internal control structure as a whole. Healing Action's management is responsible for the establishment and maintenance of internal controls in accordance with the DOJ Grants Financial Guide; 2 C.F.R. § 200 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and OJP's Application Guidelines. Because we do not express an opinion on Healing Action's internal control structure as a whole, we offer this statement solely for the information and use of Healing Action and OJP.²

In planning and performing our audit, we interviewed Healing Action personnel and external accounting staff, as well as reviewed written policies and procedures and Healing Action's most recent audited financial statements. Our review of internal controls covered Healing Action's established grant policies and procedures pertaining to aspects of award performance and financial management. Any 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: Schedule of Dollar-Related Findings

Description	Grant No.	Amount	Page
Questioned Costs:³			
Unallowable Consultant Costs – Not in the Office of Justice Programs’ (OJP) approved budget	2020-VT-BX-0122	\$3,925	6
Unallowable Consultant Costs – In excess of authorized rate	2020-VT-BX-0122	<u>\$1,181</u>	7
Unallowable Costs		\$5,106	
Other Direct Costs	2020-VT-BX-0122	\$2,288	
	15POVC-21-GG-03962-HT	\$260	
<i>Subtotal</i>		<u>\$2,548</u>	7
Unsupported Costs		\$2,548	
Gross Questioned Costs ⁴		\$7,654	
Less Duplicate Consultant Costs		<u>(1,181)</u>	
Net Questioned Costs		<u>\$6,473</u>	
TOTAL DOLLAR-RELATED FINDINGS		<u>\$6,473</u>	

³ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; 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, the provision of supporting documentation, or contract ratification, where appropriate.

⁴ We questioned consultant costs for more than one reason. Net questioned costs exclude the duplicate amount, which totaled \$1,181 in consultant costs that were unallowable because the costs were not included in OJP’s approved budget and also exceeded OJP’s authorized rate.

APPENDIX 3: Healing Action Network Response to the Draft Audit Report



April 4, 2024

Mr. Todd A. Anderson
Regional Audit Manager
OIG's Chicago Regional Audit Office
Todd.A.Anderson@usdoj.gov

RE: Response to Draft Audit Report Dated March 6, 2024

I have received, reviewed, and agree with the draft audit report in reference to the audit of the following grant programs. Please see the recommendations and our responses below.

1. Enhanced Services (2020-VT-BX-0122) October 2020 through May 2024
2. Transitional Housing (15POVC-21-GG03962-HT) December 2021 through September 2024

Auditors Recommendation 1

Ensure Healing Action establishes and implements grant financial management policies and procedures to help ensure adequate administration of federal grant funds and that all relevant personnel are aware of these policies and procedures. These policies should cover, at a minimum:

- a) Improving internal controls over its debit card access.
- b) complying with DOJ Grants Financial Guide consultant requirements, including prior approval and justification for exceeding the established daily or hourly consultant rate and adequate time and effort reports as well as ensuring its staff understand and adhere to the policies and procedures.
- c) allocating costs properly to awards.
- d) Recording and tracking all matching cost transactions in its accounting system.
- e) ensuring drawdowns are based on actual or planned expenditures within the next 10 days and are reviewed and approved by management, as well as maintaining supporting documentation for future auditing purposes.
- f) preparing and submitting accurate FFRs. In addition, the financial policies and procedures should ensure contracted accounting activities comply with the DOJ Grants Financial Guide requirements and the terms and conditions of the grants.

Healing Action Network's Response

We are undergoing a thorough review and refinement of our debit card access controls to implement stricter authorization protocols. This includes establishing clear guidelines on who may access debit cards and under what circumstances. Additionally, we are ensuring proper segregation of duties concerning the issuance and monitoring of debit cards by assigning distinct roles and responsibilities to different personnel. Access to debit cards has been restricted

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exclusively to Executive Directors to enhance oversight and accountability within senior management.

Simultaneously, we have issued credit cards to each director to facilitate necessary purchases while maintaining strict expenditure oversight. To bolster security measures, all debit and credit cards are securely stored in locked cabinets when not in use, and staff are prohibited from saving card information in an unsecure electronic format. We are also establishing a monitoring system to track debit card transactions effectively, conducting regular reviews, and promptly reporting any irregularities identified.

Furthermore, we are undertaking a comprehensive review and update of our consultant policies and procedures to ensure compliance with DOJ Grants Financial Guide requirements. This includes integrating provisions for obtaining prior approval and justification for exceeding established consultant rates, alongside guidelines for maintaining accurate time and effort reports. Comprehensive training sessions will be conducted to ensure staff and contracted accountants understand and adhere to these updated policies and procedures.

In addition to consultant policies, we are reviewing our cost allocation policies and procedures to ensure alignment with federal grant regulations. This involves updating policies to incorporate clear guidelines for allocating costs to specific awards and providing training opportunities to enhance staff understanding of cost allocation principles and best practices.

Similarly, we are reviewing and enhancing procedures related to matching costs, drawdowns, and FFRs to ensure compliance with federal grant regulations. This includes updating policies, providing training, strengthening documentation and record-keeping practices, enhancing internal controls, and establishing systems for ongoing monitoring and oversight.

Auditors Recommendation 2

Remedy the \$3,925 in unallowable expenditures related to consultant costs that were not included in the approved grant budget.

Healing Action Network's Response

To address unallowable expenditures, we'll thoroughly review financial records to pinpoint consultant costs not included in the approved grant budget, ensuring accurate categorization. Gathering supporting documentation, we'll assess if there's flexibility in the grant budget to cover these costs; if not, we'll consider reallocating funds from other categories after proper analysis. We'll then consult with the granting agency, providing detailed information about the expenditure and proposing a plan for remediation. If permissible, we'll re budget or reallocate funds, documenting all steps taken to address the unallowable expenditures as part of our corrective action process.

Auditors Recommendation 3

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Remedy the \$1,181 in unallowable expenditures related to consultant costs that exceeded OJP's authorized rate.

Healing Action Network's Response

To address consultant costs exceeding OJP's authorized rate, we'll review financial records to identify discrepancies and categorize them as unallowable expenditures. Gathering supporting documentation, including invoices and contracts, we'll communicate with consultants to negotiate adjustments to bring costs in line with OJP's rate. Reviewing contractual agreements, we'll take appropriate actions as per terms, calculating and reconciling the difference with OJP's rate. Consultation with the granting agency will guide our remediation plan, and we'll work with consultants to recover or adjust expenditures, documenting all actions taken. We'll implement prevention measures and communicate with OJP, ensuring transparency and compliance with requirements.

Auditors Recommendation 4

Ensure Healing Action reminds staff of its policy to obtain bids for consultant services, when necessary.

Healing Action Network's Response

To address communication to staff, we'll send a formal communication to all staff members, outlining the organization's policy on obtaining bids for consultant services and emphasizing the necessity of compliance. Conduct training sessions to educate staff on initiating the bidding process, evaluating bids, and adhering to procurement regulations. Implement clear documentation procedures to track the bidding process, including records of bid requests, responses, evaluations, and justifications. Establish regular reviews of consultant procurement activities through internal audits to ensure compliance and identify areas for improvement. Hold staff accountable for policy adherence through performance evaluations and recognize those who consistently follow procurement procedures. And continuously improve procurement processes by soliciting feedback from staff and refining procedures accordingly.

Auditors Recommendation 5

Remedy the \$2,548 in unsupported expenditures related to staff cell phones, monthly bus passes, staff continuing education, and case management software costs.

Healing Action Network's Response

To address unsupported expenditures, we'll identify unsupported expenditures in financial records related to staff cell phones, monthly bus passes, staff continuing education, and case management software costs, ensuring accurate categorization. Review available documentation for supporting evidence like invoices or contracts. Communicate with staff to request missing documentation or clarification. Verify expenditures through further investigation and take corrective action if necessary, documenting all steps. And implement prevention measures such as

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clear expense guidelines and staff training to ensure compliance with financial policies in the future.

We appreciate the opportunity to review and comment on the report recommendations. If you have any questions related to this response, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Katie Rhoades".

Katie Rhoades, MSW

Executive Director Healing Action Network, Inc.

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St. Louis, MO 63139



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APPENDIX 4: The Office of Justice Programs Response to the Draft Audit Report



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

April 11, 2024

MEMORANDUM TO: Todd A. Anderson
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: Jeffery A. Haley *Jeffery A. Haley*
Acting Director

SUBJECT: Response to the Draft Report, *Audit of the Office of Justice Programs Services and Transitional Housing for Trafficking Victims Grants Awarded to the Healing Action Network, Inc., St. Louis, Missouri*

This memorandum is in reference to your correspondence, dated March 6, 2024, transmitting the above-referenced draft audit report for the Healing Action Network, Inc. (Healing Action). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains five recommendations and \$6,473¹ in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. We recommend that OJP ensure Healing Action establishes and implements grant financial management policies and procedures to help ensure adequate administration of federal grant funds and that all relevant personnel are aware of these policies and procedures. In particular, these policies should cover, at a minimum: (1) improving internal controls over its debit card access; (2) complying with DOJ Grants Financial Guide consultant requirements, including prior approval and justification for exceeding the established daily or hourly consultant rate and adequate time and effort reports as well as ensuring its staff understand and adhere to the policies and procedures; (3) allocating costs properly to awards; (4) recording and tracking all matching cost transactions in its accounting system; (5) ensuring drawdowns are based on actual or planned expenditures within the

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

next 10 days and are reviewed and approved by management, as well as maintaining supporting documentation for future auditing purposes; and (6) preparing and submitting accurate FFRs. In addition, the financial policies and procedures should ensure contracted accounting activities comply with the DOJ Grants Financial Guide requirements and the terms and conditions of the grants.

OJP agrees with this recommendation. In its response, dated April 4, 2024, Healing Action stated that it is undergoing a thorough and comprehensive review and refinement of its policies and procedures, noted in this recommendation, covering: debit card access controls, compliance with the Department of Justice (DOJ) Grants Financial Guide related to consultant costs, allocation of costs to Federal awards, recording and tracking matching costs, drawdown of Federal funds, and Federal Financial Reports (FFRs). The Healing Action indicated that it will ensure their processes align with Federal grant regulations.

Accordingly, we will coordinate with the Healing Action to obtain a copy of its written comprehensive policies and procedures, developed and implemented, to ensure adequate administration of Federal grant funds; and evidence that all relevant personnel are aware of these policies and procedures. At a minimum, we will require that policies and procedures include procedures covering: controls over debit card access; adherence to the DOJ Grants Financial Guide for consultant requirements; proper allocation of costs to Federal awards; recording and tracking all matching costs in its accounting system; drawdown of Federal grant funds; and accurate and timely submission of FFRs.

- 2. We recommend that OJP remedy the \$3,925 in unallowable expenditures related to consultant costs that were not included in the approved grant budget.**

OJP agrees with this recommendation. In its response, dated April 4, 2024, Healing Action stated that, to remedy the \$3,925 in unallowable expenditures, it will thoroughly review financial records to pinpoint consultant costs not included in the approved grant budget, and will consider reallocating funds from other categories after proper analysis and consultation with OJP.

Accordingly, we will review the \$3,925 in questioned costs, related to unallowable consultant costs that were not included in the approved grant budget for Grant Number 2020-VT-BX-0122, and will work with Healing Action to remedy, as appropriate.

- 3. We recommend that OJP remedy the \$1,181 in unallowable expenditures related to consultant costs that exceeded OJP's authorized rate.**

OJP agrees with this recommendation. In its response, dated April 4, 2024, Healing Action stated that, to remedy the \$1,181 in questioned consultant costs that exceeded OJP's authorized rate, it will review financial records to identify discrepancies, gather supporting documentation, including invoices and contracts, and will communicate with consultants to negotiate adjustments to bring costs in line with OJP's rate. Furthermore, Healing Action stated that it will review contractual agreements and will consult with OJP for guidance on their remediation plan.

Accordingly, we will review the \$1,181 in questioned costs, related to unallowable consultant costs charged to Grant Number 2020-VT-BX-0122, that exceeded OJP's authorized rate, and will work with Healing Action to remedy, as appropriate.

- 4. We recommend that OJP ensure Healing Action reminds staff of its policy to obtain bids for consultant services, when necessary.**

OJP agrees with this recommendation. In its response, dated April 4, 2024, Healing Action stated that it would send formal communication to all staff members, outlining the organization's policy on obtaining bids for consultant services and emphasizing the necessity of compliance. Furthermore, Healing Action stated that it would conduct training sessions to educate staff in adhering to procurement regulations; implement clear documentation procedures; establish regular reviews of consultant procurement activities through internal audits, to ensure compliance and identify areas for improvement; hold staff accountable for policy adherence through performance evaluations; and recognize those who consistently follow procurement procedures, including a continuous improvement of procurement processes by soliciting feedback from staff and refining procedures, accordingly.

Accordingly, we will coordinate with Healing Action to obtain documentation to support that it has reminded staff of its policy to obtain bids for consultant services, when necessary.

- 5. We recommend that OJP remedy the \$2,548 in unsupported expenditures related to staff cell phones, monthly bus passes, staff continuing education, and case management software costs.**

OJP agrees with this recommendation. In its response, dated April 4, 2024, Healing Action stated that, to remedy the \$2,548 in unsupported expenditures, it will identify the expenditures in financial records related to staff cell phones, monthly bus passes, staff continuing education, and case management software costs, to ensure accurate categorization. Healing Action also stated that it will review available documentation for supporting evidence, such as invoices or contracts, and will take the necessary corrective action.

Accordingly, we will review the \$2,548 in questioned costs, related to unsupported expenditures related to cell phones, monthly bus passes, staff continuing education, and case management software costs, that were charged to Grant Numbers 2020-VT-BX-0122 (\$2,288) and 15POVC-21-GG-03962-HT (\$260), and will work with Healing Action to remedy, as appropriate.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Linda J. Taylor, Lead Auditor, Audit Coordination Branch, Audit and Review Division, of my staff, on (202) 514-7270.

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

cc: LeToya A. Johnson
Senior Advisor
Office of the Assistant Attorney General

Linda J. Taylor
Lead Auditor, Audit Coordination Branch
Audit and Review Division
Office of Audit, Assessment, and Management

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Director
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Office of the Inspector General

OJP Executive Secretariat
Control Number OCOM000804

APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The Department of Justice (DOJ) Office of the Inspector General (OIG) provided a draft of this audit report to Healing Action Network, Inc. (Healing Action) and the Office of Justice Programs (OJP). Healing Action's response is incorporated in Appendix 3, and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations, and as a result, the status of the audit report is resolved. Healing Action also agreed with each of our five recommendations. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Ensure Healing Action establishes and implements grant financial management policies and procedures to help ensure adequate administration of federal grant funds and that all relevant personnel are aware of these policies and procedures. In particular, these policies should cover, at a minimum: (1) improving internal controls over its debit card access; (2) complying with DOJ Grants Financial Guide consultant requirements, including prior approval and justification for exceeding the established daily or hourly consultant rate and adequate time and effort reports as well as ensuring its staff understand and adhere to the policies and procedures; (3) allocating costs properly to awards; (4) recording and tracking all matching cost transactions in its accounting system; (5) ensuring drawdowns are based on actual or planned expenditures within the next 10 days and are reviewed and approved by management, as well as maintaining supporting documentation for future auditing purposes; and (6) preparing and submitting accurate Federal Financial Reports (FFR). In addition, the financial policies and procedures should ensure contracted accounting activities comply with the DOJ Grants Financial Guide requirements and the terms and conditions of the grants.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Healing Action to obtain a copy of its written comprehensive policies and procedures, developed and implemented, to ensure adequate administration of federal grant funds and cover, at a minimum, the six areas mentioned in our recommendation. As a result, this recommendation is resolved.

Healing Action agreed with our recommendation and stated in its response that it is reviewing and refining its policies and procedures to ensure adequate administration of federal grant funds related to the six areas mentioned in our recommendation. For example, Healing Action stated that it is establishing clear guidelines on who can access debit cards and under what circumstances, as well as conducting a comprehensive review and update of its consultant policies and procedures to ensure compliance with the DOJ Grants Financial Guide.

This recommendation can be closed when we receive documentation that Healing Action established and implemented written policies and procedures that, at a minimum, address each

element of this recommendation, and that Healing Action made all relevant personnel aware of these policies and procedures.

2. Remedy the \$3,925 in unallowable expenditures related to consultant costs that were not included in the approved grant budget.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$3,925 in questioned costs and work with Healing Action to remedy the costs, as appropriate. As a result, this recommendation is resolved.

Healing Action agreed with our recommendation and stated in its response that it will review its financial records to identify consultant costs not included in the approved grant budget, gather supporting documentation, and consult with OJP about the expenditures and proposed actions to remedy the costs.

This recommendation can be closed when we receive evidence that the \$3,925 in unallowable consultant costs has been appropriately remedied.

3. Remedy the \$1,181 in unallowable expenditures related to consultant costs that exceeded OJP's authorized rate.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$1,181 in questioned costs and work with Healing Action to remedy the costs, as appropriate. As a result, this recommendation is resolved.

Healing Action agreed with our recommendation and stated in its response that it will review its financial records to identify discrepancies; gather supporting documentation, including invoices and contracts; and negotiate with consultants to bring costs in line with OJP's rate. In addition, Healing Action stated that it will review contractual agreements and consult with OJP on proposed actions to remedy the costs.

This recommendation can be closed when we receive evidence that the \$1,181 in unallowable consultant expenditures has been appropriately remedied.

4. Ensure Healing Action reminds staff of its policy to obtain bids for consultant services, when necessary.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Healing Action to obtain documentation to support that Healing Action reminded its staff of Healing Action's policy to obtain bids for consultant services, when necessary. As a result, this recommendation is resolved.

Healing Action agreed with our recommendation and stated in its response that it will send a formal communication to staff regarding the organization's policy on obtaining bids for consultant services

to all staff members, as well as conduct training sessions to educate staff on initiating the bidding process, evaluating bids, and adhering to procurement regulations. In addition, Healing Action stated that it will implement procedures to track the bidding process, including records of bid requests, responses, evaluations, and justifications and will establish regular reviews of consultant procurement activities through internal audits to ensure compliance and identify areas for improvement.

This recommendation can be closed when we receive evidence that Healing Action reminded staff of its policy to obtain bids for consultant services, when necessary.

5. Remedy the \$2,548 in unsupported expenditures related to staff cell phones, monthly bus passes, staff continuing education, and case management software costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$2,548 in questioned costs and work with Healing Action to remedy the costs, as appropriate. As a result, this recommendation is resolved.

Healing Action agreed with our recommendation and stated in its response that it will identify unsupported expenditures in its financial records and review available documentation to support the costs for staff cell phones, monthly bus passes, staff continuing education, and case management software—ensuring accurate categorization and taking corrective action, if necessary.

This recommendation can be closed when we receive evidence that the \$2,548 in unsupported expenditures has been appropriately remedied.