



**AUDIT OF OFFICE OF JUSTICE PROGRAMS
GRANTS AWARDED TO THE
CITY OF MONTGOMERY, ALABAMA**

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

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CITY OF MONTGOMERY, ALABAMA**

EXECUTIVE SUMMARY

The Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of Edward Byrne Memorial Justice Assistance Grants (JAG), including a 2009 Recovery Act grant, awarded by the Bureau of Justice Assistance and a Weed and Seed grant, awarded by the Community Capacity Development Office to the City of Montgomery, Alabama.¹

The purposes of the grants were to: (1) support a broad range of activities to prevent and control crime based on local needs and conditions and (2) assist local communities in developing and implementing crime prevention programs. As shown in Exhibit I, since 2007 the City of Montgomery was awarded over \$1.5 million to implement these activities.

**Exhibit I: Grants awarded to the
City of Montgomery, Alabama**

| Award Number | Start Date | End Date | Award Amount | Program |
|---------------------|-------------------|-----------------|---------------------|----------------------------|
| 2008-DJ-BX-0304 | 10/01/2007 | 09/30/2011 | \$64,258 | JAG |
| 2008-WS-QX-0005 | 06/01/2008 | 11/30/2009 | \$150,000 | Weed and Seed ² |
| 2009-DJ-BX-0806 | 10/01/2008 | 09/30/2012 | \$209,795 | JAG |
| 2009-SB-B9-0926 | 03/01/2009 | 02/28/2013 | \$862,549 | JAG (Recovery Act) |
| 2009-WS-QX-0115 | 06/01/2009 | 08/31/2010 | \$142,000 | Weed and Seed |
| 2010-DJ-BX-1252 | 10/01/2009 | 09/30/2013 | \$151,521 | JAG |
| Total | | | \$1,580,123 | |

Source: Office of Justice Programs

¹ As of June 2011, the Community Capacity Development Office closed.

² We determined the City of Montgomery applied grant expenditures for Grant Number 2008-WS-QX-0005 to Grant Number 2009-WS-QX-0115. Grant Number 2008-WS-QX-0005 was included in the audit only to the extent the grant expenditures were applied to Grant Number 2009-WS-QX-0115.

Recovery Act

In February 2009, Congress passed the American Recovery and Reinvestment Act (Recovery Act) to help create jobs, stimulate the economy and investment in long-term growth, and foster accountability and transparency in government spending. The Recovery Act provided \$787 billion for tax cuts, education, health care, entitlement programs, contracts, grants, and loans. Recipients of Recovery Act funds are required to report quarterly to FederalReporting.gov on how they spent Recovery Act funds and the number of jobs created or saved. The Department of Justice received nearly \$4 billion in Recovery Act funds and made almost \$2 billion of that funding available through the JAG Program.

Audit Results

The purpose of the audit was to determine whether the City of Montgomery used grant funds for costs that were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants; whether the city met or was on track to meet the goals and objectives outlined in the grant programs and applications; and submitted timely and accurate Recovery Act spending and job data to FederalReporting.gov.

The objectives of the audit were to determine whether the City of Montgomery complied with essential grant conditions pertaining to: (1) internal controls; (2) grant drawdowns; (3) grant expenditures; (4) budget management and control; (5) matching costs; (6) property management; (7) financial, progress, and Recovery Act reports; (8) grant goals and accomplishments; (9) monitoring contractors; and (10) monitoring subrecipients.

We found the City of Montgomery generally complied with requirements pertaining to internal controls, grant drawdowns, budget management and control, property management, and matching costs. However, we found weaknesses in the areas of grant expenditures, financial and programmatic reports, grant goals and accomplishments, and monitoring of contractors and subrecipients.

Specifically, we found the City of Montgomery:

- charged a total of \$42,513 in unsupported and unallowable costs to the grant awards;

- did not always submit timely and accurate financial, progress, and Recovery Act reports;
- could not show that it met grant goals and objectives;
- did not document the monitoring of contractors; and
- did not fulfill its responsibilities for subrecipient monitoring.

Based on our audit results we make three recommendations to address dollar-related findings and four recommendations to improve the management of Department of Justice grants. These are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix 1.

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INTRODUCTION

The Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of Edward Byrne Memorial Justice Assistance Grants (JAG), including a 2009 Recovery Act grant, awarded by the Bureau of Justice Assistance and a Weed and Seed grant awarded by the Community Capacity Development Office to the City of Montgomery, Alabama.¹ The purposes of the grants were to: (1) support a broad range of activities to control and prevent crime based on local needs and conditions, and (2) assist local communities in developing and implementing crime prevention programs.

The JAG program is the primary source of federal criminal justice funding for state and local jurisdictions. The JAG program allows states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. Grant funds may be used for:

- law enforcement programs,
- prosecution and court programs,
- prevention and education,
- corrections and community corrections programs,
- drug treatment, and
- technology improvement programs.

In February 2009, Congress passed the American Recovery and Reinvestment Act (Recovery Act) to help create jobs, stimulate the economy and investment in long-term growth, and foster accountability and transparency in government spending. The Recovery Act provided \$787 billion for tax cuts, education, health care, entitlement programs, contracts, grants, and loans. Recipients of Recovery Act funds are required to report quarterly to FederalReporting.gov on how they spent Recovery Act funds and the number of jobs created or saved. The Department of Justice received nearly \$4 billion in Recovery Act funds and made almost \$2 billion of that funding available through the JAG Program.

¹ As of June 2011, the Community Capacity Development Office closed.

The Weed and Seed program intended to prevent, control, and reduce violent crime, drug abuse, and gang activity in designated high-crime neighborhoods. The strategy involves a two-pronged approach. Law enforcement agencies seek to “weed out” violent criminals and reduce drug problems. Public and private community-based organizations seek to “seed” human services, including prevention, treatment, and neighborhood restoration programs.

As shown in Exhibit 1, since 2007, the City of Montgomery was awarded over \$1.5 million to implement these activities.

**Exhibit 1: Grants awarded to the
City of Montgomery, Alabama**

| Award Number | Start Date | End Date | Award Amount | Program |
|---------------------|-------------------|-----------------|---------------------|----------------------------|
| 2008-DJ-BX-0304 | 10/01/2007 | 09/30/2011 | \$64,258 | JAG |
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| Total | | | \$1,580,123 | |

Source: Office of Justice Programs

Background

The City of Montgomery is the capital and second largest city of the state of Alabama, with a population of nearly 202,000 and a police force that is allocated 524 sworn officers as of August 2, 2012. The JAG and Recovery Act grants were based on joint applications submitted by the City of Montgomery and Montgomery County.³ As the primary recipient of these

² We determined the City of Montgomery applied grant expenditures for Grant Number 2008-WS-QX-0005 to Grant Number 2009-WS-QX-0115. Grant Number 2008-WS-QX-0005 was included in the audit only to the extent the grant expenditures were applied to Grant Number 2009-WS-QX-0115.

³ When one unit of local government bears more than 50 percent of another unit of local government’s costs of prosecution and incarceration, those units are required to submit a joint grant application for Byrne JAG funding.

grants, the city serves as the fiscal agent and is responsible for monitoring the county's compliance with applicable laws, regulations, guidelines, grant conditions, spending, and outcomes and benefits attributed to the use of grant funds.⁴

The city's JAG manager administers the program. The JAG manager prepares the grant application, requisitions for grant budgeted items, and annual progress reports. That person also approves invoices for payment. The JAG manager receives assistance from the JAG accountant. The JAG accountant is responsible for the grant's accounting functions, drawdown requests, and financial reporting. The JAG accountant also reviews the invoices and ensures that expenditures are in line with the grant's budget approved by the Office of Justice Programs.

The City of Montgomery also serves as the fiscal agent for the Montgomery Weed and Seed program. The Weed and Seed coordinator administers the program and receives assistance from the Weed and Seed accountant, to ensure proper accounting for grant expenditures and reporting. As the fiscal agent, the city processes Weed and Seed invoices for payment, prepares drawdown requests, and completes required reports.

Audit Approach

The purpose of this audit was to determine whether the City of Montgomery used grant funds for costs that were allowable, supported, and in accordance with applicable laws, regulations, guidelines and terms and conditions of the grants; whether the city met or was on track to meet the goals and objectives outlined in the grant programs and applications; and submitted timely and accurate Recovery Act spending and job data to FederalReporting.gov.

The objectives of the audit were to determine whether the City of Montgomery complied with essential grant conditions pertaining to: (1) internal controls; (2) grant drawdowns; (3) grant expenditures; (4) budget management and control; (5) matching costs; (6) property management; (7) financial, progress, and Recovery Act reports; (8) grant goals and accomplishments; (9) monitoring contractors; and (10) monitoring subrecipients.

⁴ The Montgomery Police Department is a unit of the City of Montgomery and the Montgomery County Sheriff's Office is a unit of Montgomery County. For administration of the JAG program, the Montgomery Police Department followed the city's policies and procedures for grant administration.

We tested compliance with what we consider to be the most important conditions of the grant awards. Unless otherwise stated in the report, the criteria we audit against are contained in the grant award documents, Office of Justice Programs Financial Guide, Code of Federal Regulations, Office of Management and Budget Circulars and the Recovery Act. We tested the City of Montgomery's:

- **internal controls** to identify plans, policies, methods, and procedures designed to ensure the city and the grant programs met fiscal and programmatic requirements and the goals and objectives of the grants;
- **grant drawdowns** to determine whether grant drawdowns were adequately supported and if the City of Montgomery managed grant receipts in accordance with federal requirements;
- **grant expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **budget management and control** to identify any budget deviations between the amounts budgeted and the actual costs for each cost category;
- **matching costs** to determine if the City of Montgomery provided the required matching share of grant costs;
- **property management** to determine if property items acquired with grant funds are tracked in a system of property records, adequately protected from loss, and used for grant purposes;
- **financial and progress reports** to determine if those reports were submitted timely and accurately reflect grant activity;
- **Recovery Act reporting** to determine if the reports were submitted timely and accurately reflected spending and job data to FederalReporting.gov;
- **grant goals and accomplishments** to determine if the City of Montgomery met or was on track to meet the goals and objectives outlined in the grant programs and applications;
- **monitoring contractors** to determine if the City of Montgomery took appropriate steps to ensure contractors complied with applicable grant requirements; and

- **monitoring subrecipients** to determine whether the City of Montgomery took appropriate steps to ensure that subrecipients met the fiscal and programmatic requirements of the grants.

In conducting our audit, we performed sample testing in the areas of drawdowns, grant expenditures, matching costs, property management, and grant goals and accomplishments. In addition, we reviewed the internal controls for the financial management system, the timeliness and accuracy of financial, progress, and Recovery Act reports, evaluated progress toward grant goals and accomplishments, and the monitoring of contractors and subrecipients.

FINDINGS AND RECOMMENDATIONS

Our audit determined that the City of Montgomery: (1) charged \$42,513 in unsupported and unallowable costs to grant awards; (2) did not always submit timely and accurate financial, progress, and Recovery Act reports; (3) could not show that it met grant goals and objectives; (4) did not document the monitoring of its contractors; and (5) did not fulfill its responsibilities for subrecipient monitoring.

Internal Controls

According to the Financial Guide, the grantee is responsible for establishing and maintaining an adequate system of accounting and internal controls for itself, and for ensuring that an adequate system exists for its subrecipients. We reviewed the City of Montgomery's financial management system, Single Audit Reports, and policies and procedures to assess the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed city employees working in areas such as payroll, purchasing, and accounts payable, and we observed accounting activities.

Financial Management System

The city's financial system is comprised of standard components for accounts payable, payroll, general ledger, purchasing, fixed assets, revenue and licensing, budget, and risk management. The financial system appears to have internal controls to ensure compliance with applicable requirements of the grant programs we audited. The system's controls provide for the separation of duties, tracking of grant expenditures for each grant, and traceability of grant expenditures to supporting documentation.

Recovery Act Planning

We reviewed the city's planning for the receipt and use of the JAG funds. The city did not establish internal controls to segregate the preparation, review, and approval processes for the Recovery Act reports. We also found the city did not establish internal controls for managing its subrecipient, Montgomery County. We determined that the JAG manager prepares and submits progress and Recovery Act reports without the reports being reviewed. This process resulted in inaccurate reporting and incomplete progress reports. These instances are discussed in detail in the Grant Reports and Monitoring Subrecipient sections of this report.

Single Audits

According to Office of Management and Budget Circular A-133, the city is required to perform a Single Audit annually with the report due no later than 9 months after the end of the fiscal year. The city's fiscal year is from October 1 through September 30. We found that the 2009 Single Audit report was issued on March 26, 2010, and the 2010 Single Audit report was issued on March 21, 2011. The city issued both reports in accordance with the reporting requirements.

We reviewed the fiscal years 2009 and 2010 Single Audit reports and identified findings that could affect Department of Justice grants. These findings and the city's responses are as follows.

- **Finding 09-SA-01 — Davis Bacon**

The city's policies and procedures did not ensure all rates on the certified payrolls were compared to the federal wage rates provided by the awarding agency.

In response to the audit, the city hired two technicians to assist grant coordinators on projects that require Davis-Bacon monitoring.⁵ The technicians were to ensure the timely submission of all project payrolls, review payroll deficiencies, and report such deficiencies to the grant coordinators. Subrecipients and contractors were to receive notification of any Davis-Bacon deficiencies. The city planned to withhold subrecipient and contractor payments until deficiencies are corrected. Additionally, at the beginning of each grant cycle, the city planned to identify all projects that require Davis-Bacon monitoring and develop a schedule for onsite monitoring.

- **Findings 09-SA-02 and 09-SA-03 – Subrecipient Monitoring**

The city was not consistently receiving and reviewing subrecipients' annual audits.

In response, the city planned to make a substantial change to its application process. All entities that apply for funding were to be required to have at least 2 years of active experience as a nonprofit or for-profit organization and possess a valid, certified audit report. The

⁵ The Davis-Bacon Act is a federal law that governs the minimum wage rate to be paid to laborers and mechanics employed on federal public work projects to preserve local wage standards and promote local employment by preventing contractors who bid on public contracts from basing bids on the use of labor recruited from foreign sources.

city also planned to incorporate audit reports as part of its application review process. During the review process, the city planned to disqualify applicants for receiving funds when those applicants had an audit report that indicated gross misuse of funds.

- **Finding 09-SA-04 – Subrecipient Monitoring**

The city had not been monitoring the subrecipient's use of federal awards.

In response, the city updated its procedures for monitoring grant funds allocated to the Montgomery County Sheriff's Office in accordance with audit findings. Under the procedures, the city would obtain all invoices from the county pertinent to grant funds.

- **Finding 10-SA-01 – Schedule of Expenditure of Federal Award**

The city prepared the schedule but policies and procedures did not provide adequate internal controls over the preparation of the entire schedule.

In response, the city stated that the manual process of preparing the schedule would be converted to an automated process with the implementation of new accounting software. The grant accountants and another accountant were to review the schedule to ensure that all federal expenditures were included.

Because audit finding 09-SA-04 addressed how the city had not been monitoring subrecipients' use of federal awards, we consider this finding to have a direct effect on the JAG and Recovery Act grants. During the audit, we tested whether the city implemented its planned corrective actions. The results of our testing are discussed in detail in the Monitoring Subrecipients section of this report.

Drawdowns

The Financial Guide generally requires that recipients time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days; however, JAG recipients may draw down any or all grant funds in advance of grant costs.

We interviewed the city officials responsible for requesting drawdowns and reviewed the city's accounting records and drawdown procedures. City

officials told us that drawdowns were based on the actual expenditures recorded in the accounting records. City officials also told us that the county receives a one-time advance of 40 percent of the JAG awards in accordance with the Interlocal Cooperative Agreement for each grant.

We compared each drawdown amount to the city's accounting records and found that the JAG drawdowns matched grant accounting records. For the Weed and Seed grant, we compared each drawdown amount to the city's accounting records and found that the drawdowns matched the grant accounting records. Based on our comparison of drawdowns to the accounting records, the city did not have excess federal cash-on-hand.

The city deposits Department of Justice funds, including Recovery Act funds into a special revenue account and those funds are identified by an account fund code that is unique to each grant. We reviewed this account and confirmed that the funds drawn down were deposited electronically.

Budget Management and Control

According to the Financial Guide, grantees may request a modification to their approved budgets to reallocate dollar amounts among approved budget categories. When certain changes to approved budgets are anticipated, grantees must obtain advance approval from the Office of Justice Programs. The changes requiring approval are:

- any budget revision that changes the scope of the project and affects a cost category that was not included in the original budget, and
- cumulative transfers among approved budget categories that exceed or are expected to exceed 10 percent of the total approved budget.

Failure to adequately control grant budgets could lead to wasteful or inefficient spending of governmental funds.

We compared the city's actual grant costs to the JAG budget worksheets and found no evidence of budget revisions that changed the scope of the JAG awards. However, in reviewing transactions for the subrecipient, we found the county charged a \$7,250 transaction that was a change in scope, as discussed in the Monitoring Subrecipients section of this

report. For JAG and Recovery Act awards, we did not test cumulative transfers among budget categories because these grants do not receive budget approval.⁶

We compared the city's actual grant costs to the budget approved in the financial clearance memoranda for the Weed and Seed Grant Number 2009-WS-QX-0115. We found no evidence of budget revisions that changed the scope of the project or transfer costs between approved budget categories that exceeded 10 percent of the award amounts for this grant.

Grant Expenditures

According to the Financial Guide, allowable costs are those identified in Office of Management and Budget circulars and the grant program's authorizing legislation. In addition, costs must be reasonable and permissible under the specific guidance of the grants.

We reviewed a sample of personnel costs and other direct costs charged to grant funds and found the city charged \$36,329 in unallowable and unsupported costs to grant funds. We question \$35,263 of this amount and do not question \$1,066 because of the minimal value of the transactions involved. Details of the costs are discussed below.

Personnel Costs

We reviewed the Office of Justice Programs approved budgets for grant-funded positions. The JAG-funded grants did not include personnel costs. However, Weed and Seed Grant Number 2009-WS-QX-0115 included personnel costs for a Safe Haven coordinator and police officers' overtime.⁷ For this grant, we reviewed personnel files for 14 individuals identified as grant-funds employees. We verified their names, positions, salaries, and fringe benefits to the personnel files and did not identify any discrepancies.

We traced the Safe Haven coordinator's payroll costs to timesheets for two non-consecutive pay periods to determine if costs were computed correctly, properly authorized, accurately recorded, and properly allocated to

⁶ The Office of Justice Programs documents budget approval by a financial clearance memorandum. JAG awards do not receive a financial clearance memorandum.

⁷ A Safe Haven is a multi-service center where a variety of youth and adult services are coordinated in one or more highly visible and accessible facilities that are secure against crime and illegal drug activity. All Weed and Seed areas are required to have at least one Safe Haven.

the grant. We found the city charged actual personnel and fringe benefit costs instead of budgeted costs to the grant, which resulted in salary being overcharged by \$63 and fringe benefits being overcharged by \$24. We did not question these charges because of the minimal value of the amounts.

We identified seven transactions, totaling \$351 in three fringe benefit categories that were incurred after the grant period ended. These costs were charged to the grant and are considered unallowable because the city incurred these costs outside of the project period. The following exhibit lists these costs.

**Exhibit 2: Unallowable Personnel Costs for
Grant Number 2009-WS-QX-0115**

| Description | Amount |
|----------------------|---------------------------|
| Social Security | \$182 |
| Retirement | \$162 |
| Group Life Insurance | \$7 |
| Total | \$ 351⁸ |

Source: OIG Analysis of Personnel Costs

The Weed and Seed grant budget also included overtime for police officers in the Weed and Seed area.⁹ The city used the overtime to pay for up to 14 officers selected for details within the Weed and Seed area.

Because of the number of officers and their changing shifts, we tested overtime costs for 5 non-consecutive pay periods for all officers that received overtime during these pay periods. We traced 57 transactions totaling \$6,960 to the payroll detail reports and found that overtime hours were generally supported by an overtime slip, approved by a supervising officer, and related to Weed and Seed activities. However, we identified 85.5 overtime hours valued at \$2,409 that was unsupported. Of these, 26.5 hours were not supported by an overtime slip, 50 hours were not approved by a supervisor, and for 9 hours the overtime rate did not match the costs charged to the grant.¹⁰

⁸ We did not question this amount because of its minimal value.

⁹ Weed and Seed is a community-based strategy that aims to prevent, control, and reduce violent crime, drug abuse, and gang activity in designated high-crime neighborhoods.

¹⁰ According to 28 Code of Federal Regulations, Section 66.20, accounting records must be supported by such documentation as cancelled checks, paid bills, payrolls, and time and attendance records.

Other Direct Costs

As shown in Exhibit 3, we selected a judgmental sample of 94 transactions totaling over \$1.2 million for testing, which is 97 percent of the direct costs charged to the grants we audited.

Exhibit 3: Grant Transactions Testing

| Grant Number | Funds Expended | Number of Transactions Tested | Tested Transaction Amounts | Percent Tested |
|-----------------|---------------------|-------------------------------|----------------------------|----------------|
| 2008-DJ-BX-0304 | \$64,258 | 5 | \$64,258 | 100% |
| 2009-DJ-BX-0806 | \$209,795 | 17 | \$209,795 | 100% |
| 2009-SB-B9-0926 | \$801,121 | 11 | \$801,121 | 100% |
| 2009-WS-QX-0115 | \$ 81,775 | 56 | \$ 44,183 | 54% |
| 2010-DJ-BX-1252 | \$118,691 | 5 | \$118,691 | 100% |
| Totals | \$ 1,275,640 | 94 | \$ 1,238,048 | 97% |

Source: City of Montgomery accounting records and OIG analysis of grant expenditures

We found that all 94 expenditures were properly classified and supported, and the invoices were complete and accurate. However, Exhibit 4 shows 10 transactions that were not properly authorized or charged to the grant.

Exhibit 4: Transaction Testing Results

| Sample No. | Grant Number | Transaction Testing Results | Transaction Amount |
|-------------------------------|-----------------|-------------------------------|--------------------|
| 11 | 2009-DJ-BX-0806 | Not properly authorized | \$840 |
| 12 | 2009-DJ-BX-0806 | Not properly authorized | \$23,394 |
| 13 | 2009-DJ-BX-0806 | Not properly authorized | \$1,958 |
| 14 | 2009-DJ-BX-0806 | Not properly authorized | \$3,636 |
| 15 | 2009-DJ-BX-0806 | Not properly authorized | \$280 |
| 16 | 2009-DJ-BX-0806 | Not properly authorized | \$2,746 |
| Total Unsupported Cost | | | \$32,854 |
| 15 | 2009-WS-QX-0115 | Not properly charged to grant | \$305 |
| 31 | 2009-WS-QX-0115 | Not properly charged to grant | \$127 |
| 46 | 2009-WS-QX-0015 | Not properly charged to grant | \$46 |
| 51 | 2009-WS-QX-0115 | Not properly charged to grant | \$237 |
| Total Unallowable Cost | | | \$715 |
| Total Costs | | | \$33,569 |

Source: OIG Analysis of Grant Transactions

Grant Number 2009-DJ-BX-0806 – We identified six transactions totaling \$32,854 as unsupported questioned costs. The JAG manager requested a special payment authorization from the Finance Department to

process the payment for six transactions. The city could not locate and provide us the special payment authorization and the material receipt documents to support these transactions.¹¹ Consequently, we question the \$32,854 as unsupported costs.

Grant Number 2009-WS-QX-0115 – We identified four transactions totaling \$715 as unallowable costs. The city divided and applied the costs of two transactions (sample 15 and 46) between the 2008 Weed and Seed grant and the 2009 grant.¹² According to the Financial Guide, funds specifically budgeted and received for one project may not be used to support another. For a third transaction (sample 31), the city charged mileage to the 2009 grant prior to the start date. For a fourth transaction (sample 51), the city reimbursed hotel expenses that were not in the approved contract budget for the 2009 grant. We did not question the \$715 in unallowable costs (\$305, \$127, \$46, and \$237) because of the minimum value of these transactions.

Matching Costs

According to the Financial Guide, matching funds for a grant project must be in addition to funds that would otherwise be available. Grant recipients must maintain accounting records that show the source, amount, and timing of all matching contributions. The full matching share of costs must be obligated by the end of the award period.

We determined the JAG-funded awards did not have a matching costs requirement. The Weed and Seed grant required the city to provide 25 percent of the program's costs (\$47,333/\$189,333) from local sources. In the grant application, the city limited the matching cost to a percentage of personnel costs. We reviewed all matching costs transactions, totaling \$47,333. We traced these transactions through the grantee's accounting system and compared the transactions to supporting documentation. We determined that the city's actual and planned matching costs complied with the grant award requirement.

¹¹ A special payment authorization is a form used by the Finance Department to authorize payments. This form requires original signatures.

¹² We did not audit Grant Number 2008-WS-QX-0005; however, during our review of Grant Number 2009-WS-QX-0115 supporting documentation for grant expenditures, we determined the city moved costs from one grant to the other.

Property Management

According to the Financial Guide, grant recipients must be prudent in the acquisition and management of property bought with federal funds. Property acquired with federal funds should be used for criminal justice purposes, adequately protected from loss, and the property records should indicate that the property was purchased with federal funds.

We determined the city did not maintain property records for all grant-funded accountable property but did maintain accountable records for items that cost \$5,000 or more. We also determined the city's records did not identify the source of funds used to acquire the property. However, we did not take exception because the city followed its procedures for accountable property, which is allowed by the Financial Guide. The JAG manager and Weed and Seed coordinator provided us a list of equipment that they maintained for each grant's equipment purchases. We were unable to verify that the equipment lists provided to us included all grant-funded equipment, but we used the lists for our testing because it was the only such record available. The lists contained 299 items valued at \$644,482. We judgmentally selected 64 items, valued at \$159,800 for testing, which is 25 percent ($\$159,800/\$644,482$) of the total equipment cost shown on the lists provided to us.

We tested the 64 items to determine whether the city accounted for, protected from loss, and used the items for grant purposes. We verified receipt of the items; however, we found that 4 of the 64 items were not initially used for grant purposes. For Grant Number 2009-WS-QX-0115, the city purchased and received four motion lights in August 2010 for \$541 and placed the lights in storage. The grantee provided us documentation showing that the four motion lights were installed in November 2011, 14 months after the end of the grant.

According to the Weed and Seed coordinator, city officials delayed installation of the motion lights because they believed that some of the locations originally identified for installation would be vulnerable to vandalism and the equipment would go to waste. The maintenance staff planned to develop a method to protect the lights, but they experienced delays in developing an acceptable solution. After the Weed and Seed coordinator identified lighting needs at another facility within the Weed and Seed area, the lights were installed at those locations.

Grant Reports

Grantees are required to submit timely and accurate financial reports and grant progress reports to the Office of Justice Programs. Prior to October 2009, the city was required to submit quarterly Financial Status Reports (FSR) within 45 days after the end of each quarterly reporting period. Beginning October 1, 2009, the Federal Financial Report (FFR) replaced the FSR. FFRs are due 30 days after the end of each calendar quarter. A final financial report is due 90 days after the end of the grant period.

Grantees are required to submit annual progress reports regarding grant performance for block and formula awards and semiannual reports for discretionary awards. Annual progress reports must be submitted to the Bureau of Justice Assistance no later than December 31. Semiannual progress reports must be submitted twice a year within 30 days after the end of the reporting periods, which are June 30 and December 31. The final progress report is due 90 days after the expiration of the grant.

For Recovery Act grants, grant recipients are required to report quarterly to FederalReporting.gov their grant expenditures and the number of jobs created or saved.

Federal Financial Reports

We reviewed the FFRs for the four most recent quarterly reporting periods for each of the five grants to determine whether the reports were timely and whether the reported expenditures agreed with the grantee's accounting records.

As shown in Exhibit 5, 2 of the 20 financial reports we reviewed were each submitted 3 days late and 1 report was submitted 26 days late. The JAG accountant responsible for submitting these reports resigned, and consequently, we could not determine the cause for the 26-day delay.

Exhibit 5: Federal Financial Reports Submitted Late

| Grant Number | Report Period From - To Dates | Report Due Date | Date Submitted | Days Late |
|-----------------|----------------------------------|--------------------|-------------------|--------------|
| 2008-DJ-BX-0304 | 07/01/2009 - 09/30/2009 | 11/14/2009 | 11/17/2009 | 3 |
| 2008-DJ-BX-0304 | 04/01/2009 - 06/30/2009 | 8/14/2009 | 8/17/2009 | 3 |
| 2010-DJ-BX-1252 | 04/01/2010 - 06/30/2010 | 8/14/2010 | 9/9/2010 | 26 |

Source: OIG Analysis of Financial Federal Reports

We also reviewed all of the FFRs for accuracy by comparing the reported expenditures to the grantee's accounting records. The JAG accountant used expenditure trial balance reports to prepare the FFRs. We found that the JAG accountant did not maintain copies of the expenditure trial balance reports used to prepare the FFRs. Because the JAG accountant did not maintain copies of the reports, we used each grant's transaction records to determine the accuracy of the FSRs and FFRs. We determined that all the JAG reports accurately reflected the grant-funded expenditures.

The Weed and Seed accountant also used the expenditure trial balance reports to prepare the FFRs. We determined that two of the four FFRs reviewed were inaccurate. We compared the city's transaction record dates to the financial report dates and found expenditures reported for the period ending June 30, 2010, were overstated and expenditures reported for the following period ending August 31, 2010, were understated, causing each report to be inaccurately stated by \$5,033. We reviewed the expenditure trial balance reports used to prepare the FFRs. Because the trial balance report for the period ending June 30, 2010, was run on July 9, 2010, it included transactions for the first 9 days of July. When using the expenditure trial balance report, which summarizes costs as of the date the finance system generates the report, the city should adjust the report to obtain costs only for the period the FFR is being prepared.

Progress Reports

According to the Financial Guide, award recipients must submit progress reports annually for block/formula awards and semi-annually for discretionary awards. These reports should describe the status of the project and include a comparison of actual accomplishments to the objectives, or other pertinent information. Also, according to 28 Code of Federal Regulations, Section 66.40, progress reports will contain for each grant, brief information on:

- a comparison of actual accomplishments to the objectives established for the period;
- the reasons for slippage if established objectives were not met; and
- additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

We tested whether the City of Montgomery submitted timely, complete, and accurate progress reports. The results of our testing are explained below.

JAG Awards

We evaluated the timeliness of progress reports for the last 2 years for each of the JAG awards. We found that all progress reports were submitted timely.

We tested the progress reports for completeness and accuracy by comparing accomplishments described in the most recent report to the grant application and supporting documentation maintained by the grantee. The city received the 2008 through 2010 grants to purchase equipment and reported that it purchased the equipment described in the grant applications. We physically verified various grant-funded equipment items and found the items were being used for grant purposes. We considered the progress reports to be accurate.

Weed and Seed Award

We evaluated the timeliness of two of three progress reports for the Weed and Seed grant. We found that one progress report was submitted 46 days late. The Weed and Seed coordinator told us the progress report was late because of an oversight during changes in the staff who managed the grant. During reorganization, the Weed and Seed coordinator received a different job and relocated to another department.

We also tested the completeness and accuracy of the progress reports by comparing accomplishments described in the last two reports to the grant application and supporting documentation maintained by the grantee. Both reports contained statistical data, primarily in the law enforcement and community-oriented policing areas. We tested eight statistics from each of the reports. We found the statistical data to be supported and accurate. However, the progress reports did not include analyses of the data to determine whether the city met, or was making progress at meeting the goals and objectives of the grant. This is discussed further in the Grant Goals and Accomplishments section of this report.

Quarterly Recovery Act Reports

The Recovery Act, Section 1512, requires recipients of Recovery Act funds to report their expenditures and jobs created or saved to FederalReporting.gov. The initial report was due October 10, 2009, with quarterly reports due 10 days after the close of each quarter thereafter.

Six of the seven reports were submitted timely. One report was submitted 2 days late. The JAG manager told us the reports' due dates are

scheduled on a desk calendar. The JAG manager could not recall why the report was submitted late. Although the progress report was only 2 days late, the grantee should ensure that all reports are submitted timely.

As shown in Exhibit 6, six of seven Recovery Act reports were inaccurate because the city did not report cumulative expenditure totals. We also determined the city’s accounting records were not used to prepare the Recovery Act reports. Instead, the JAG manager maintained a file for grant purchase orders and invoices, and she prepared the Recovery Act reports from documents in this file. The use of accounting records to prepare financial reports would ensure accurate and complete reporting of expenditures.

Exhibit 6: Recovery Act Reporting Accuracy

| Report Period | Reported Recovery Act Expenditures | Recovery Act Expenditures Per Accounting Records | Difference |
|-------------------------|------------------------------------|--|------------|
| 02/17/2009 - 09/30/2009 | \$0 | \$345,077 | \$345,077 |
| 10/01/2009 - 12/31/2009 | \$444,182 | \$760,332 | \$316,150 |
| 01/01/2010 - 03/31/2010 | \$769,796 | \$789,259 | \$19,463 |
| 04/01/2010 - 06/30/2010 | \$789,259 | \$789,259 | \$0 |
| 07/01/2010 - 09/30/2010 | \$789,259 | \$801,121 | \$11,862 |
| 10/01/2010 - 12/31/2010 | \$0 | \$801,121 | \$801,121 |
| 01/01/2011 - 03/31/2011 | \$0 | \$801,121 | \$801,121 |

Source: FederalReporting.gov and OIG analysis of grant expenditures

The city also did not report the county’s expenditures for purchased equipment to FederalReporting.gov. The JAG manager told us that the city believed the county was responsible for its own Recovery Act reporting under the terms of the Interlocal Cooperative Agreement with the city. However, according to the Financial Guide and the Recovery Act JAG Local Solicitation, a unit of local government receiving a JAG award is responsible for the administration of funds, including distribution of funds, monitoring the award, submitting reports including performance measures and program assessment data, and providing ongoing oversight and assistance to any subrecipients of the funds. A county official told us the county did not report Recovery Act expenditures because staff there was not aware of the reporting requirement. Because the county’s expenditures did not include staff positions, the reporting of jobs created was not applicable to the grant. This is discussed further in the Monitoring Subrecipient section of this report.

We also found the city did not have policies and procedures to ensure that Recovery Act reports were submitted timely and accurately. The JAG manager told us there were no new policies and procedures developed to address the Recovery Act reporting requirement. We asked city officials if they received any Recovery Act training. City officials told us they had not received any training.

Because the city received the Recovery Act grant to purchase equipment, the reporting requirement for jobs created and retained with Recovery Act funds was not applicable.

We recommend that the city develop and implement policies and procedures to ensure grant required reports are submitted in a timely and accurate manner.

Grant Goals and Accomplishments

Grant goals and accomplishments should be based on measurable outcomes rather than on counting activities. The Government Performance and Result Act provides a framework for setting goals, measuring progress, and using data to improve performance. To measure progress, grantees should establish a baseline measure and a system for collecting and analyzing data needed to measure progress.

JAG Awards

To evaluate program performance and accomplishments for the grant awards, we reviewed the grant applications, progress reports, and supporting documentation of the project's performance maintained by the city. We found that the city did not track program performance or accomplishment data related to the grants' goals and objectives. We believe the city should establish a baseline to measure performance outcome instead of reporting progress made in the grant-funded purchases and data collected. The results of our evaluation for each grant are explained below.

Grant Number 2008-DJ-BX-0304 – The goals of this grant were to advance the department's technological capabilities by providing the municipal jail and the police academy's outdoor firing range with a surveillance system and technological upgrades.

We reviewed the final progress report in which the city reported that the surveillance system enhanced observation at the outdoor firing range. Although the city purchased and installed the surveillance system, the progress report did not state how the system's installation enhanced the

firing range's outdoor observation. Because there was no established baseline to measure performance and a system for collecting and analyzing data to evaluate the benefits received from the new equipment, we could not determine whether the city met the goals and objectives of the grant. The police department needs to establish a baseline measure of performance and a system for collecting and analyzing data to evaluate the benefits received from the new equipment.

Grant Number 2009-DJ-BX-0806 – The goals of this grant were to advance the city's technological capabilities by funding equipment and training to assist investigators, and to purchase spike strips for the patrol division.

In its most-recent progress report at the time of our audit, the city reported that it purchased video enhancement equipment, video interview equipment, vehicle spike strips, and eight laptop computers with motorcycle mounts. The city also sent two detectives to computer forensic investigation training. We reviewed the accounting and property records and verified these equipment purchases and payments for the detectives' training.

Although the city purchased the equipment items, the progress report did not state whether the items were operational or how they improved operations. During the audit, we determined the city issued and installed the video enhancement equipment. We verified the equipment was operational. A motorcycle officer demonstrated to us how installed software on the laptop computer provided access to an individual's personal information by entering a vehicle license plate number prior to contact. The officer told us the software reduces the time it takes to record accident investigation information, issue citations and prepare reports. We concluded that grant goals were in the process of being met. However, the city needs to establish a baseline to measure and report the benefits achieved from the training and new equipment.

Grant Number 2009-SB-B9-0926 – The goals of this grant were to advance the department's technological capabilities by purchasing various equipment items and funding repairs to doors in the municipal jail. These improvements were intended to improve officer and inmate safety.

In its most-recent progress report at the time of our audit, the city reported that it purchased 75 dashboard cameras, 43 rifles and vehicle racks, and awarded a bid on the jail doors project. The city began work on the jail doors in December 2010. We reviewed the accounting and property records and determined that the city purchased dashboard cameras, rifles, and vehicle racks.

Although the city purchased these equipment items, the progress report did not state whether the items were operational or how those items improved operations. However, we observed the contractor's work on the jail doors repair and determined that the city issued the rifles and vehicle racks. We also determined that the dashboard cameras were installed and operational. We concluded that the grant goals were in the process of being met; however, the city needs to establish a baseline to measure and report the benefits achieved from the repairs and new equipment.

Grant Number 2010-DJ-BX-1252 – The goals of this grant were to purchase a patrol division canine, training for a canine instructor, temperature control devices for all canine vehicles, a firing range target system, and hand-held radios for street officers.

In its most-recent progress report at the time of our audit, the city reported that it purchased the patrol canine and sent the handler to canine instructor training. The patrol canine and handler completed training and were planned to be placed into service after completing a fitness medical exam. We reviewed the accounting and training records and determined the city purchased a patrol canine and sent both the officer and the canine to training. We concluded that grant goals were in the process of being met. However, the city needs to establish a baseline from which to measure and report the benefits achieved from the training and new equipment.

Weed and Seed Award

Grant Number 2009-WS-QX-0015 – We reviewed the grant application, the last two grant progress reports, and supporting documentation of the project's performance maintained by the city. We selected a judgmental sample of the grant goals and compared them to the progress reports and other documentation to determine whether the city met or was in the process of meeting its program's objectives.

The goals of the 2009 Weed and Seed grant were to: reduce drug supply and demand; develop an effective community policing program; assist residents in obtaining substance abuse treatment services; provide effective community-based prevention and intervention programming; and focus on rehabilitation of housing stock and cleanup of properties, job development and employment opportunities, and support to area businesses to enhance economic development in the target area.

In the progress reports, the city reported monthly statistical data and provided the status of various projects. For example, the reports presented

monthly statistical data consisting of the number of felony arrests, misdemeanor arrests, warrants served, and traffic citations. We selected eight statistical data elements from each of the two progress reports and reviewed the supporting documentation. Although the data for the two progress reports were accurate and supported, the city did not establish a baseline and did not analyze the data to show that progress was made to reduce drug supply and demand in the target area. Consequently, we could not determine whether the city met its goals and objectives of the grant. The Weed and Seed coordinator told us she believed the information provided in the progress reports addressed the requirement for reporting the grant's progress and that the reported activities had been accepted by the Office of Justice Programs.

In summary, for the JAG awards reviewed, we found the city purchased equipment and training in accordance with its grant applications, but did not identify measurable goals for each grant or establish a system for collecting and analyzing data to determine whether those goals and objectives were being met. For the Weed and Seed grant, the city collected data; however, the city did not establish a baseline to measure performance, and did not analyze the collected data to determine whether the city met the goals of the grant. The city needs to improve its process for measuring progress towards the achievement of grant goals and objectives. The city should also implement a process to identify measurable grant goals and objectives, establish a baseline from which to measure progress, and track performance through the completion of the grants.

Monitoring Contractors

The Financial Guide states that direct recipients of grant funds should monitor contractors to ensure compliance with financial management requirements. Without proper monitoring and documentation, contractors may receive payments for services not actually performed.

The city awarded service contracts funded by the JAG Recovery Act Award Number 2009-SB-B9-0926 and the Weed and Seed Award Number 2009-WS-QX-0115. We requested the city's policies and procedures for monitoring contractors. The JAG manager and Weed and Seed coordinator were not aware of any policies and procedures for monitoring of contractors. However, we noted that departments' routinely handling contracts had policies and procedures for monitoring contractors.

The city awarded a contract for the repair of municipal jail doors under the JAG Recovery Act Award Number 2009-SB-B9-0926. Because of the technical expertise needed for the jail door repairs, the city hired a

consultant to monitor the progress of the repairs and paid the consultant from the general fund. According to city officials the consultant was on-site during the jail door installation and addressed concerns regarding the doors as needed. However, during our review of the contract file we noted annotations on the contractor's invoice that referenced an issue with the jail door contract that required resolution prior to payment of the contract. The JAG manager told us that the consultant provided no documentation regarding the contractor's performance. Because limited documentation was available regarding contractor monitoring, we could not determine the extent of the monitoring and the adequacy of the contractor's performance.

The city awarded four contracts for prevention, intervention, and treatment program services for the Weed and Seed grant. The Weed and Seed coordinator monitored the financial aspects of each contract by reviewing and approving the documentation submitted for reimbursement. The Weed and Seed coordinator conducted unscheduled site visits, provided technical assistance, observed activities, and obtained participants' feedback about the program. However, the coordinator did not document any of these activities because the site visits were routine and not considered as a source for monitoring the contractors' performance. Therefore, we could not determine the adequacy of the contractor's performance. We recommend the city ensure adequate documentation for the monitoring of contractors.

Monitoring Subrecipients

According to the Financial Guide, primary recipients of grant funds are responsible for monitoring subrecipients to ensure the subrecipients fulfill the fiscal and programmatic requirements of the grants. The primary recipient is responsible for all aspects of the program including proper accounting and financial recordkeeping by the subrecipient including the receipt and expenditure of funds and cash management.

The city and county submitted joint grant applications for JAG Award Numbers 2008-DJ-BX-0304, 2009-DJ-BX-0806, 2010-DJ-BX-1252, and the Recovery Act Grant Number 2009-SB-B9-0926. As the primary recipient and fiscal agent for these grants, the city was responsible for monitoring the subrecipient's compliance with fiscal and programmatic requirements. We found the city did not have procedures in place for monitoring subrecipients. According to the JAG manager, the city believed the Interlocal Cooperative Agreement between the two agencies relieved them of their monitoring responsibility. However, according to the Interlocal Cooperative Agreement, "the City shall submit all quarterly reports as required by the U.S. Department of Justice, Office of Management and Budget for both City and County Agencies for the entire grant period as well as performance reports."

As discussed earlier in the Grant Report section of this report, the city did not properly monitor the county to ensure the quarterly Recovery Act reports included the county's expenditures. The 2009 Single Audit identified the city's lack of subrecipient monitoring as a finding. The city's corrective action to the audit finding included plans to obtain accounting records and expenditure documentation. We found the city obtained the grant expenditure documentation from the county. According to the previous JAG accountant, the invoices are reconciled to the grant amount advanced and the budget. However, our review found no evidence the city performed reconciliations of the expenditure documentation. The current JAG accountant told us that he was not aware of the reconciliation requirement.

We reviewed the county's expenditure documentation and identified three discrepancies for Grant Number 2009-SB-B9-0926. These discrepancies consisted of two inaccurate recorded transactions, resulting in a \$44 overcharge to the grant and one unallowable transaction having a cost of \$7,250 for the purchase of three vehicle shelters. We did not take exception to the \$44 overcharge, because of its minimal value. However, we reviewed the county's grant budget and found the shelters were not an approved budget item. According to the grant budget narrative, grant funded equipment purchases were for officers and citizens safety and to aid officers in the performance of their duties. We discussed the purchase of the shelters with the Office of Justice Programs. The Office of Justice Programs staff told us the shelters were a change in scope and the county should have submitted a grant adjustment notice. We discussed the shelters purchase with the county and found they were not aware of the requirement to submit a grant adjustment notice. The county considered the shelters to be equipment because the shelters were not a permanent structure. County officials told us they were not aware that the shelters purchase changed the scope of the grant. We considered the shelters to be a change in the grant's scope, which requires prior approval from the program office.¹³

Because of our audit results that addressed the city's practice of providing a one-time advance payment to its subrecipient for JAG awards and not fulfilling its monitoring responsibilities, the city revised and implemented a reimbursement payment policy with the county.¹⁴

¹³ According to the Financial Guide, changes in scope, duration, activities, or other significant areas are changes that require prior approval from the bureau or program office through a grant adjustment notice.

¹⁴ The signed memorandum of understanding between the city and county for the 2012 JAG award states the city will reimburse the county's grant expenses when the county provides appropriate documentation.

We recommend the city continue to develop and implement policy and procedures for monitoring of subrecipients to ensure they meet the reporting and programmatic requirements of the grants.

Conclusion

The City of Montgomery generally complied with the requirements pertaining to internal controls, grant drawdowns, budget management and control, property management, and matching costs. However, we found weaknesses in the areas of grant expenditures, financial and programmatic reports, grant goals and accomplishments, monitoring contractors, and the monitoring of subrecipients.

Specifically, we found the following.

1. The city spent \$42,513 in grant funds for costs that were unsupported and unallowable. Those costs consisted of: (1) unsupported personnel costs of \$2,409; (2) unsupported other direct costs of \$32,854; and (3) unallowable subrecipient costs of \$7,250.
2. The city did not always submit timely and accurate financial, progress, and Recovery Act reports.
3. The city could not show that it met the goals and objectives of the grants. For JAG awards, the city did not establish performance measures. For the Weed and Seed grant, the city had appropriate performance measures, but did not establish a baseline or analyze the data collected to measure progress.
4. The city did not document the monitoring of contractors.
5. The city did not fulfill its responsibilities for subrecipient monitoring to ensure accurate reporting of Recovery Act expenditures and adherence to Office of Justice Programs' guidance.

Because of these weaknesses, we recommend that the Office of Justice Programs remedy \$42,513 in unsupported and unallowable costs. We also make four recommendations to improve the city's management of grants.

Recommendations

We recommend that the Office of Justice Programs:

1. Remedy the \$2,409 in unsupported officer overtime charged to Grant Number 2009-WS-QX-0115.
2. Remedy the \$32,854 in unsupported equipment costs charged to Grant Number 2009-DJ-BX-0806.
3. Remedy the \$7,250 in unallowable costs for vehicle shelters charged to Grant Number 2009-SB-B9-0926.
4. Ensure the city develops and implements policy and procedures to submit financial, progress, and Recovery Act reports in a timely and accurate manner.
5. Ensure the city implements a process for identifying measurable goals for each grant and a process for collecting and analyzing data to track performance through completion of the grants.
6. Ensure the city develops and implements policy and procedures for documenting the monitoring of contractors.
7. Ensure the city develops and implements a process for monitoring subrecipients to ensure they meet the reporting and programmatic requirements of the grants.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether the City of Montgomery used grant funds for costs that were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants; whether the city met or was on track to meet the goals and objectives outlined in the grant programs and applications; and submitted timely and accurate Recovery Act spending and job data to FederalReporting.gov.

The objectives of the audit were to determine whether the City of Montgomery complied with essential grant conditions pertaining to: (1) internal controls; (2) grant drawdowns; (3) grant expenditures; (4) budget management and control; (5) matching costs; (6) property management; (7) financial, progress, and Recovery Act reports; (8) grant goals and accomplishments; (9) monitoring contractors; and (10) monitoring subrecipients.

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.

Our audit scope covered the 2009 JAG Recovery Act, the 2008, 2009, and 2010 JAG awards, and a 2009 Weed and Seed grant that had sufficient activity to test the grantee's management of grants and subrecipients. We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Programs' Financial Guide, Office of Management and Budget Circulars, and specific program guidance.

In conducting our audit, we performed sample testing in drawdowns; grant expenditures, including personnel and other direct costs; financial and grant progress reports; property management; matching costs; and grant goals and accomplishments. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category.

We selected judgmental sample sizes for the testing of each grant. This non-statistical sample design does not allow projection of the test results to the universe from which the samples were selected.

In addition, we reviewed the timeliness and accuracy of financial, progress, and Recovery Act reports, compared performance to grant goals, and whether the city adequately monitored contractors and subrecipients. We did not assess the reliability of the financial management system as a whole.

SCHEDULE OF DOLLAR-RELATED FINDINGS¹⁵

| Description | Amount | Page |
|--|-----------------|------|
| Questioned Costs - Unsupported: | | |
| Police Overtime 2009-WS-QX-0115 | \$2,409 | 11 |
| Unauthorized Purchases 2009-DJ-BX-0806 | \$32,854 | 12 |
| Total Unsupported Costs | \$35,263 | |
| Questioned Costs - Unallowable: | | |
| Three vehicle shelter purchases 2009-SB-B9-0926 | \$7,250 | 24 |
| Total Unallowable Costs | \$7,250 | |
| Total Dollar-Related Findings | \$42,513 | |

¹⁵ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or not supported by adequate documentation at the time of the audit, or are unnecessary or reasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

OJP'S 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

06 SEP 2012

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: Maureen A. Henneberg
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of Office of Justice Programs Grants Awarded to the City of Montgomery, Alabama*

This memorandum is in response to your correspondence, dated August 7, 2012, transmitting the subject draft audit report for the City of Montgomery, Alabama (City). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **seven** recommendations and **\$42,513** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP remedy the \$2,409 in unsupported officer overtime charged to Grant Number 2009-WS-QX-0115.**

We agree with the recommendation. We will coordinate with the City to remedy the \$2,409 in questioned costs, related to unsupported officer overtime costs charged to Grant Number 2009-WS-QX-0115. If adequate documentation cannot be provided, we will request that the City return the funds to the U.S. Department of Justice (DOJ); adjust their accounting records to remove the costs; and submit a revised final Federal Financial Report (FFR) for the grant.

2. **We recommend that OJP remedy the \$32,854 in unsupported equipment costs charged to Grant Number 2009-DJ-BX-0806.**

We agree with the recommendation. We will coordinate with the City to remedy the \$32,854 in questioned costs, related to unsupported equipment costs charged to Grant Number 2009-DJ-BX-0806. If adequate documentation cannot be provided, we will request that the City return the funds to the DOJ; adjust their accounting records to remove the costs; and submit a revised final FFR for the grant.

3. **We recommend that OJP remedy the \$7,250 in unallowable costs for vehicle shelters charged to Grant Number 2009-SB-B9-0926.**

We agree with the recommendation. We will coordinate with the City to remedy the \$7,250 in questioned costs charged to Grant Number 2009-SB-B9-0926, related to the unauthorized purchase of vehicle shelters by a subgrantee. If adequate documentation cannot be provided, we will request that the City return the funds to the DOJ; adjust their accounting records to remove the costs; and submit a revised final FFR for the grant.

4. **We recommend that OJP ensures that the City develops and implements policies and procedures to submit financial, progress, and Recovery Act reports in a timely and accurate manner.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of procedures implemented to ensure that financial, progress, and Recovery Act reports are submitted in a timely and accurate manner.

5. **We recommend that OJP ensures that the City implements a process for identifying measurable goals for each grant, and a process for collecting and analyzing data to track performance through completion of the grants.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of procedures implemented to ensure that a process is in place for identifying measurable goals for each grant, and for collecting and analyzing data to track performance through the completion of the grants.

6. **We recommend that OJP ensures that the City develops and implements policies and procedures for documenting the monitoring of contractors.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of procedures implemented to ensure that the monitoring of contractors is adequately documented.

7. **We recommend that OJP ensures that the City develops and implements a process for monitoring subrecipients, to ensure that they meet the reporting and programmatic requirements of the grants.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of procedures implemented to monitor subrecipients to ensure that the reporting and programmatic requirements of the grants are met.

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

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

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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 20121319

THE CITY OF MONTGOMERY'S RESPONSE
TO THE DRAFT AUDIT REPORT



City of **Montgomery**, Alabama

OFFICE OF THE MAYOR
Todd Strange, Mayor

Post Office Box 1111
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PH 334.625.2000
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August 28, 2012

Mr. Ferris B. Polk
Regional Audit Manager
Office of the Inspector General
Atlanta Regional Audit Office
U.S. Department of Justice
75 Spring Street, Suite 1130
Atlanta, GA 30323

Dear Mr. Polk:

I am writing in response to the draft audit report issued by the United States Department of Justice Office of the Inspector General to the City of Montgomery on August 7, 2012.

On behalf of the City of Montgomery, I would like to express my appreciation to the Department of Justice Office of Justice Programs for the funding received through these grant programs addressed in this audit. I served as chairperson of the Montgomery Weed and Seed Steering Committee, and I can attest to the significant positive change the program initiated in the designated Weed and Seed community and within our city government's processes of working with citizens to more effectively address community concerns. I also know that the equipment provided through the JAG funding made a significant contribution to the increased efficiency of our Montgomery Police Department.

Below I list the report's three recommendations to address dollar-related findings and four recommendations to improve the management of Department of Justice grants. After each recommendation is stated, I provide the City's response for that numbered item.

DOJ OIG Audit Report Recommendations

- 1) Remedy the \$2,409 in unsupported officer overtime charged to Grant Number 2009-WS-QX-0115.
Response 1a: The City does not concur with the finding on inaccurate rate calculations in the amount of \$230.87. Below are the explanations for the rate calculations in question:
Amount of \$112.98 on 3/3/10 Detail:
 The officer needed to work 3.5 hours to complete the initial 6 hours of comp time required to be paid at the straight rate. The next 1.5 hours were eligible for the overtime rate of time and a half. All hours qualified for the enhanced 4th shift differential rate.
 3.5 hours x \$19.6475/hr. (straight 4th shift differential rate) = \$68.77
 1.5 hours x \$29.47125/hr. (overtime 4th shift differential rate) = \$44.21
Amount of \$117.89 on 9/28/09 Detail:
 The officer worked all hours as overtime and qualified for the 4th shift differential rate.
 4 hours x \$29.47125/hr. (overtime 4th shift differential rate) = \$117.89
Response 1b: The City does not concur with the finding of unavailable overtime sheets for officers in the amount of \$551.18. Attached are copies of the overtime sheets listed as unavailable in the report, which were copied from the Weed and Seed site coordinator's files, but also available in the Finance Department files.

Response 1c: The City does concur with the finding that some overtime vouchers for the supervisors of overtime details did not include their supervisor's signature. Anticipated planned actions include adding to the Montgomery Police Department's written policies and procedures that all overtime and comp time vouchers must be signed by the employee's supervisor before they are submitted for processing for payment. All officers will be notified by memo of the addition to the written policy and procedures as well. The City proposes addressing the unsupported overtime by providing certification retroactively by MPD officials that the officers did work the stated shifts. These actions will occur by October 1, 2012.

- 2) Remedy the \$32,854 in unsupported equipment costs charged to Grant Number 2009-DJ-BX-0806.
Response: The City concurs with the finding. A purchase order was originally processed and approved at all levels, but was not executed in a timely fashion due to a change order, and that paperwork is available for review. To expedite the payment to the vendor, a special payment authorization was processed and executed with appropriate signatures, and the equipment was received by MPD. Subsequently that document was pulled from the file and never replaced. Completed actions taken include corrective action for appropriate accounts payable staff to ensure timely processing of purchase orders and the implementation of a new software system to allow for efficient tracking of all invoices and purchase orders submitted to the Finance Department for payment. The Finance Department's grants accountants have set up separate filing systems for financial paperwork related to federal grants with each grant's required maintenance timeframe clearly marked, and only the grants accountants will determine when those files are removed from the City's maintenance. Anticipated planned actions include establishing a system for scanning of those documents by the Finance Department staff to ensure further their maintenance beginning in October 2012.
- 3) Remedy the \$7,250 in unallowable costs for vehicle shelters charged to Grant Number 2009-SB-B9-0926.
Response: The City concurs with the finding. Completed actions taken include the City's withdrawal of the unallowable charges and submission of eligible project charges expended within the grant project period by subgrantee Montgomery County. This corrective action was taken through paperwork submitted to close out of the grant in consultation with the DOJ program manager.
- 4) Ensure the City develops and implements policy and procedures to submit financial, progress, and Recovery Act reports in a timely and accurate manner.
Response: The City concurs with the finding. Anticipated planned actions include the development and implementation of a federal grant policy and procedures document. The document and its implementation will address this issue to ensure all City employees tasked with administering federal grants will be aware of the City's expectation of timely submission of all grant reports to the appropriate federal agency, and that their supervisors will be aware of the need to ensure their staff is meeting this requirement. A work group of the Deputy Mayor, Finance Director, and Planning Director has been established to direct this action. A proposed timeline for completion of the document's development and distribution to all departments is December 31, 2012.
- 5) Ensure the City implements a process for identifying measurable goals for each grant and a process for collecting and analyzing data to track performance through completion of the grants.
Response: The City concurs with the finding. Anticipated planned actions include the development and implementation of a federal grant policy and procedures document to ensure all City employees tasked with administering federal grants will be knowledgeable of the process for goal setting and data collection/analysis, and that their supervisors will be aware of the need to make certain their

staff is meeting this requirement. A work group of the Deputy Mayor, Finance Director, and Planning Director has been established to direct this action. A proposed timeline for completion of the document's development and distribution to all departments is December 31, 2012. The Planning Department will provide technical assistance to City employees as needed regarding goal setting and data collection and analysis.

- 6) Ensure the City develops and implements policy and procedures for documenting the monitoring of contractors.

Response: The City concurs with the finding. Anticipated planned actions include the development and implementation of a federal grant policy and procedures document to ensure all City employees tasked with administering federal grants will be knowledgeable of the process for monitoring of contractors and documentation of that effort, and that their supervisors will be aware of the need to make certain their staff is meeting this requirement. A work group of the Deputy Mayor, Finance Director, and Planning Director has been established to direct this action. A proposed timeline for completion of the document's development and distribution to all departments is December 31, 2012. The Planning Department will provide technical assistance as needed to City employees regarding monitoring of contractors.

- 7) Ensure the City develops and implements a process for monitoring subrecipients to ensure they meet the reporting and programmatic requirements of the grants.

Response: The City concurs with the finding. Completed actions include Montgomery Police Department altering its procedures for DOJ grants that are provided to the City of Montgomery for administration, with an expectation that the Montgomery County Sheriff's Office will be designated as a subrecipient for a portion of the funding. In the past the County's share of grant funding was provided at the grant's start, and now funding will be provided on a reimbursement basis only. Other City DOJ grants already have operated in this manner. This change will ensure that proper records and data collection are provided to the City of Montgomery by Montgomery County. Anticipated planned actions include the development and implementation of a federal grant policy and procedures document to ensure all City employees tasked with administering federal grants will be knowledgeable of the process for monitoring of subrecipients and documentation of that effort, and that their supervisors will be aware of the need to make certain their staff is meeting this requirement. A work group of the Deputy Mayor, Finance Director, and Planning Director has been established to direct this action. A proposed timeline for completion of the document's development and distribution to all departments is December 31, 2012. The Planning Department will provide technical assistance to City employees regarding monitoring of subrecipients as requested.

I and my staff will work diligently with DOJ OJP officials to address these recommendations with actions that will improve our grant administration processes. Please contact me at 334-625-2002 or jdownes@montgomeryal.gov with any concerns or guidance you may provide.

Sincerely,



Jeffrey Downes
Deputy Mayor / Chief of Staff

Enclosures (6)

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

The Office of the Inspector General (OIG) provided a draft audit report to the Office of Justice Programs (OJP) and the City of Montgomery. OJP's response is incorporated in Appendix 3 and city's response is incorporated in Appendix 4.

Recommendation Number:

- 1. Resolved.** OJP concurred with our recommendation to remedy the \$2,409 in unsupported officer overtime charged to Grant Number 2009-WS-QX-0115. OJP stated in its response that it will coordinate with the city to remedy the questioned costs.

In its response, the city disagreed with part of our recommendation. Specifically, the city stated it does not concur with the questioned costs pertaining to \$231 in inaccurate overtime rate calculations and \$551 in unavailable overtime sheets for officers. However, the city does concur with the \$1,627 in questioned costs pertaining to overtime vouchers that did not include the supervisor's signature. To address the unsupported overtime costs, the city provided calculations for the questioned overtime rate based on a fourth shift differential rate and copies of the unavailable overtime sheets. The city also plans to add guidance to the police department's policies and procedures. This guidance requires all overtime and compensatory time vouchers to be signed by employees' supervisor before submission for payment. The city proposed to address the unsupported overtime by providing retroactive certification for the overtime hours worked by officers. Our analysis of the city's reply is below.

During the audit, we requested supporting documentation for shift differential rates and overtime sheets for officers. City officials provided second and third shift differential rates and did not identify a fourth shift differential rate. Consequently, we did not consider a fourth shift differential rate during our analysis of the overtime costs charged to Grant Number 2009-WS-QX-0115. Because the city's response did not include documentation for the fourth shift differential rate, we do not have support for the \$231 in questioned overtime differential calculations. Regarding the \$551 in questioned overtime

costs, the overtime sheets provided with the city's response appear sufficient to support the costs.

This recommendation can be closed when we receive and review:
(1) documentation that supports a fourth shift differential rate,
(2) policies and procedures to ensure employee overtime and compensatory time vouchers are signed by their supervisor,
(3) certification documentation that supports the overtime worked by officers for the stated shifts, and (4) OJP's agreement that the \$551 in questioned overtime costs are supported.

- 2. Resolved.** OJP concurred with our recommendation to remedy the \$32,854 in unsupported equipment costs charged to Grant Number 2009-DJ-BX-0806. OJP stated in its response that it will coordinate with the city to remedy the questioned costs.

The city concurred with our recommendation and stated that it has taken corrective action to ensure timely processing of purchase orders and efficient tracking of all invoices and purchase orders submitted for payment.

This recommendation can be closed when the \$32,854 in questioned costs has been remedied.

- 3. Resolved.** OJP concurred with our recommendation to remedy the \$7,250 in unallowable costs for vehicle shelters charged to Grant Number 2009-SB-B9-0926. OJP stated in its response that it will coordinate with the city to remedy the questioned costs.

The city concurred with our recommendation and stated that it submitted closeout documentation to the OJP program manager to adjust the unallowable charges to the grant project.

This recommendation can be closed when the \$7,250 in questioned costs has been remedied.

- 4. Resolved.** OJP concurred with our recommendation that the city develop and implement policy and procedures to submit financial, progress, and Recovery Act reports in a timely and accurate manner. OJP stated in its response that it will coordinate with the city to obtain a copy of procedures implemented to ensure that financial, progress, and Recovery Act reports are submitted in a timely and accurate manner.

The city concurred with our recommendation and stated that it plans to develop and implement federal grant policies and procedures to ensure all grant administration staff timely submit grant reports.

This recommendation can be closed when we receive and review procedures implemented by the city to ensure financial, progress, and Recovery Act reports are submitted in a timely and accurate manner.

- 5. Resolved.** OJP concurred with our recommendation that the city implement processes for identifying measurable goals for each grant and collecting and analyzing data to track performance through completion of the grants. OJP stated in its response that it will coordinate with the city to obtain a copy of procedures implemented to ensure that processes are in place for identifying measurable goals for each grant and collecting and analyzing data to track performance through the completion of the grants.

The city concurred with our recommendation and stated that it plans to develop and implement grant policies and procedures to ensure grant administration staff are knowledgeable of the requirements for goal setting and data analyses for identifying grant goals and tracking performance throughout the grant.

This recommendation can be closed when we receive and review procedures that ensure the city implemented processes for identifying measurable goals for each grant and collecting and analyzing data to track performance through the completion of the grants.

- 6. Resolved.** OJP concurred with our recommendation that the city develop and implement policy and procedures for documenting the monitoring of contractors. OJP stated in its response that it will coordinate with the city to obtain a copy of procedures implemented to ensure that the monitoring of contractors is adequately documented.

The city concurred with our recommendation and stated that it plans to develop and implement grant policies and procedures to ensure all grant administration staff monitors contractors and documents their monitoring efforts.

This recommendation can be closed when we receive and review procedures that ensure the city's monitoring of contractors is adequately documented.

7. Resolved. OJP concurred with our recommendation that the city develop and implement a process for monitoring subrecipients to ensure they meet the reporting and programmatic requirements of the grants. OJP stated in its response that it will coordinate with the city to obtain a copy of procedures implemented to monitor subrecipients to ensure the reporting and programmatic requirements of the grants are met.

The city concurred with our recommendation and stated that it plans to develop and implement policies and procedures to ensure all grant administration staff monitor subrecipients and document their monitoring efforts.

This recommendation can be closed when we receive and review procedures that the city implemented a process for monitoring subrecipients that ensures the reporting and programmatic requirements of the grants are met.