



**AUDIT OF THE
OFFICE OF JUSTICE PROGRAMS
EDWARD BYRNE MEMORIAL
JUSTICE ASSISTANCE GRANT PROGRAM
GRANT AWARDED TO THE
MUNICIPALITY OF ANCHORAGE, ALASKA**

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

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EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of a \$2,700,337 Edward Byrne Memorial Justice Assistance Grant Program (JAG) grant (2009-SB-B9-1238) that the Office of Justice Programs (OJP), Bureau of Justice Assistance awarded to the Municipality of Anchorage, Alaska (Anchorage).¹ Grant 2009-SB-B9-1238 was funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act). Anchorage utilized the grant to fund: a mobile data computer infrastructure system rehabilitation project, police officer overtime for the Downtown "Foot Patrol" Enforcement Project (Foot Patrol Project) and the Zero Tolerance Patrol Enforcement Project (Zero Tolerance Project), overtime for the Grant Administrator, and the Methamphetamine Education Coordinator (Meth Coordinator) position.² In addition, the grant funded a prosecutor position and the installation of a legal file tracking system. The ultimate goal of the grant was to: (1) upgrade an aging dispatch and records system, (2) fund the Foot Patrol and Zero Tolerance Projects, and (3) provide substance abuse prevention services. Anchorage officials advised OJP that without the JAG grant, these projects would have otherwise been abandoned due to local budget constraints. As of September 2012, Anchorage had drawn down \$972,786 (36 percent) of the grant award.

¹ The JAG grant was awarded to the Municipality of Anchorage and was administered by the Anchorage Police Department. For uniformity, we refer to the grantee as Anchorage throughout the report, unless stated otherwise.

² Mobile data computer infrastructure system rehabilitation project includes repairs and upgrades to the existing Computer Aided Dispatch system and associated components. According to Anchorage, these repairs and upgrades are intended to expand system coverage, increase system speed and reliability, and improve its officers' efficiency in the field. The Foot Patrol Project provides additional police patrols in Anchorage's downtown business district to address gang activity and inebriated homeless individuals during the summer months. The Zero Tolerance Project provides additional police patrols to a high crime area outside of Anchorage's downtown business district. The Meth Coordinator facilitates and promotes substance abuse prevention education within Alaskan communities. This includes education efforts within the municipality as well as collaboration with statewide organizations, and focuses on reducing Methamphetamine use.

The purpose of the Bureau of Justice Assistance's JAG Formula Program is to enable 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. JAG funds may be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, information systems for criminal justice, and criminal justice-related research and evaluation activities that will improve or enhance the following purpose areas:

- Law enforcement programs;
- Prosecution and court programs;
- Prevention and education programs;
- Corrections and community corrections programs;
- Drug treatment and enforcement programs;
- Planning, evaluation, and technology improvement programs; and
- Crime victim and witness programs (other than compensation).

Recovery Act

On February 17, 2009, the President signed into law the Recovery Act. The purposes of the Recovery Act were to: (1) preserve and create jobs and promote economic recovery; (2) assist those most impacted by the recession; (3) provide investments needed to increase economic efficiency by spurring technological advances in science and health; (4) invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits; and (5) stabilize state and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act provided \$787 billion to stimulate the economy. The Department of Justice received \$4 billion in Recovery Act funds and \$2 billion of that funding was made available through the Bureau of Justice Assistance's JAG Program. Through Recovery Act JAG funding, the Department of Justice focused support on all components of the criminal justice system, including multijurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG funded projects could address crime by providing services directly to

individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

OIG Audit Results

The purpose of our audit was to determine whether costs claimed under Grant 2009-SB-B9-1238 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, indirect costs, matching, budget management, and post end date activity were not applicable to this grant.

We generally found non-personnel expenditures were accurate, reasonable, and properly classified. Additionally, Anchorage's oversight of its contractors was adequate and it submitted accurate financial reports to OJP in a timely manner. However, we noted the following exceptions which resulted in total net questioned costs of \$149,583:

- Anchorage's internal controls were inadequate to safeguard assets, support labor charges, or accurately record grant-related overtime;
- \$83,774 in salaries and fringe benefits expenditures lacked adequate support;
- There were indications that Anchorage supplanted rather than supplemented local funding by charging the grant \$64,529 for overtime salary and fringe benefit expenditures;
- \$1,484 in fringe benefit charges were incorrectly computed;
- Overtime expenditures were inaccurately recorded;
- Three of five Progress Reports and six of seven Recovery Act reports were inaccurate;
- Anchorage failed to submit an approved Equal Employment Opportunity Plan to OJP, as required; and

- Anchorage failed to collect and maintain data necessary for measuring grant performance.

As a result of our audit, we questioned \$149,583 and made 13 recommendations to OJP. Our findings are discussed in detail in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix I. Our Schedule of Dollar-Related Findings is located in Appendix II.

We discussed the results of our audit with Anchorage officials and have included their comments in the report as applicable. In addition, we requested from Anchorage and OJP written responses to a draft copy of our audit report. We received those responses and they are found in Appendices III and IV, respectively. Our analysis of those responses and the status of the recommendations are found in Appendix V.

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INTRODUCTION

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EXHIBIT 1
RECOVERY ACT JAG GRANT AWARDED TO ANCHORAGE

GRANT AWARD NUMBER	AWARD START DATE	AWARD END DATE ³	AWARD AMOUNT
2009-SB-B9-1238	03/01/09	02/28/13	\$2,700,337

Source: OJP

The purpose of our audit was to determine whether costs claimed under Grant 2009-SB-B9-1238 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, indirect costs, matching, budget management, and post end date activity were not applicable to this grant.

Recovery Act

On February 17, 2009, the President signed into law the Recovery Act. The purposes of the Recovery Act were to: (1) preserve and create jobs and promote economic recovery; (2) assist those most impacted by the recession; (3) provide investments needed to increase economic efficiency by spurring technological advances in science and health; (4) invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits; and (5) stabilize state and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act provided \$787 billion to stimulate the economy. The Department of Justice received \$4 billion in Recovery Act funds and \$2 billion of that funding was made available through the Bureau of Justice Assistance's (BJA) JAG Program. Through Recovery Act JAG funding, the Department of Justice focused support on all components of the criminal justice system, including multijurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG funded projects could address crime by providing services directly to

³ The Award End Date includes all time extensions that were approved by OJP.

individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Background

The Municipality of Anchorage stretches from Portage Glacier to Eklutna along the Cook Inlet in South-central Alaska, encompassing an area roughly the size of the state of Delaware. With an estimated population of 291,826 in 2010, Anchorage is Alaska's largest city. According to the Anchorage Police Department's (APD) 2010 annual statistical report, there were 3,177 instances of person crimes, and 3,065 instances of property crimes.⁴

OJP's mission is to increase public safety and improve the fair administration of justice through innovative leadership and programs. Specifically, BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system. The BJA's overall goals are to: (1) reduce and prevent crime, violence, and drug abuse; and (2) improve the way in which the criminal justice system functions.

The BJA's JAG Program is the primary provider of federal criminal justice funding to state and local jurisdictions. The purpose of the program is to enable 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. JAG funds may be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, information systems for criminal justice, and criminal justice-related research and evaluation activities that will improve or enhance the following purpose areas:

- Law enforcement programs;
- Prosecution and court programs;
- Prevention and education programs;
- Corrections and community corrections programs;
- Drug treatment and enforcement programs;

⁴ Person crimes include non-negligent murder, negligent manslaughter, rape, aggravated assault, and simple assault. Property crimes are robbery, burglary, theft, stolen vehicle, arson, forgery and counterfeiting, fraud and embezzlement, stolen property, and criminal mischief (vandalism).

- Planning, evaluation, and technology improvement programs; and
- Crime victim and witness programs (other than compensation).

The amount of JAG funding to be offered to state and local governments is determined through a statutory JAG formula. OJP then publishes the formula-based award amounts for state and local governments in the JAG allocation list, established by the Bureau of Justice Statistics, which indicates the amount of funds for which each unit of local government is eligible to apply. Based on Anchorage's grant application, Anchorage applied to receive assistance for the purpose of enhancing multiple program areas including: law enforcement; prevention and education; and planning, evaluation, and technology improvements.

OIG Audit Approach

We tested Anchorage's compliance with what we consider to be the most important conditions of the grant award. Unless otherwise stated in our report, the criteria we audited against are contained in the *OJP Financial Guide*, grant award documents, Code of Federal Regulations (C.F.R.), Office of Management and Budget (OMB) Circulars, and the Recovery Act. Specifically, we tested:

- **Internal Control Environment** – to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard the funds awarded to Anchorage and ensure compliance with the terms and conditions of the grant.
- **Drawdowns** – to determine whether drawdowns were adequately supported and if Anchorage was managing grant receipts in accordance with federal requirements.
- **Expenditures** – to determine whether costs charged to the grant, including payroll and fringe benefits were accurate, adequately supported, allowable, reasonable, and allocable.
- **Reporting** – to determine if the required financial, programmatic, and Recovery Act reports were submitted on time and accurately reflected grant activity.
- **Award Requirements** – to determine whether Anchorage complied with grant award guidelines, special conditions, and solicitation criteria.

- **Program Performance and Accomplishments** – to determine whether Anchorage made a reasonable effort to accomplish stated objectives.
- **Monitoring of Sub-Recipients and Contractors** – to determine if Anchorage provided adequate oversight and monitoring of its sub-recipients and contractors.

The results of our audit are discussed in detail in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix I. Our Schedule of Dollar-Related Findings is located in Appendix II.

We discussed the results of our audit with Anchorage officials and have included their comments in the report, as applicable. In addition, we requested from Anchorage and OJP written responses to a draft copy of our audit report.

FINDINGS AND RECOMMENDATIONS

We found that Anchorage did not consistently maintain timecards for one employee, overtime slips were incomplete, and fringe benefit charges were inaccurate. Therefore, we questioned \$83,774 in salaries and fringe benefits, and \$1,484 of fringe benefit expenses which were not computed correctly. Furthermore, we found that Anchorage's internal controls did not provide for effective control to safeguard assets, adequate support of labor charges, or accurate recording of grant-related overtime. Additionally, we found three of five Progress Reports and six of the seven Recovery Act reports submitted were inaccurate. We also found that Anchorage failed to submit to OJP an approved Equal Employment Opportunity Plan, as required by the grant award. We also found indications that Anchorage used grant funds to supplant, rather than supplement, local funding that it regularly budgeted for overtime. As a result, we questioned \$64,529 in federal grant funds expended on overtime. Lastly, Anchorage failed to collect and maintain data necessary for measuring grant performance. As a result, we questioned a total of \$149,583 and made 13 recommendations.⁵

Internal Control Environment

We reviewed Anchorage's Single Audit Report and financial management system to assess the municipality's risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed Anchorage's grant management, and individuals from its accounting and finance departments regarding internal controls and processes related to payroll and accounts payable functions.

⁵ The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix II for a breakdown of our dollar-related findings and for definitions of questioned costs.

Single Audit

According to OMB Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted. We reviewed Anchorage's most recent Single Audit for the Fiscal Year (FY) ending December 31, 2010.⁶ We found that the independent auditors had issued an unqualified opinion without noting any material internal control weaknesses, deficiencies, or findings directly related to Department of Justice grants. However, we noted one finding related to five timecards that were not appropriately approved under a Department of Transportation funded grant. We also noted that this was not considered a material weakness and the grantee provided a corrective action plan; therefore, we did not consider it to represent a significant increase in risk as related to our audit.

Financial Management System

The *OJP Financial Guide* requires that all grant fund recipients ". . . establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them." Further, the accounting system should provide adequate maintenance of financial data to enable planning, control, and measurement. The guide also requires that grantees separately account for each award and not commingle grant funds.

Anchorage utilizes PeopleSoft accounting software to record grant transactions. Based on our overall review of grant-related transactions that were recorded in Anchorage's accounting records, we found that, in general, the system accurately identified and accounted for grant-related expenditures. However, during our review of policies and procedures, we identified internal control weaknesses relating to Anchorage's receiving function, payroll process, and procedures for allocating overtime.

Receiving

Title 28 C.F.R. Part 66, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (formerly known as OMB Circular A-102), requires that effective control and accountability be maintained for all grant cash, real and personal property, and other assets. Grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. We reviewed Anchorage's guidance for handling of purchases and observed its receiving process. Based on our observations, we noted the following weaknesses:

⁶ Anchorage's fiscal year is from January 1 through December 31.

- the same individual that issued purchase requests also received assets in the accounting system;
- the same individual that performed physical verification and inventory of assets also could reconcile the inventory; and
- based on Anchorage's lack of adequate access controls to its inventory room, grant-purchased assets would not be adequately safeguarded against theft and misuse.

These issues demonstrate a lack of adequate segregation of duties and safeguarding of assets. We discussed the above internal control weaknesses with Anchorage officials and they acknowledged that these issues exist. An Anchorage official explained that budget restrictions have resulted in the loss of personnel, which has contributed to some of the weaknesses noted above. In response to our concern regarding the segregation of duties when receiving goods, Anchorage indicated that it plans to implement a new accounting module with user-level permission controls, which would allow them to address our concerns. For example, Anchorage confirmed the system would require receipt and purchase of goods be performed by separate individuals. Anchorage estimates the transition from PeopleSoft to SAP will be complete by the end of 2012. We recommend that OJP ensure Anchorage strengthens its internal controls to make certain that asset recording and inventory duties are adequately segregated and grant-related assets are adequately safeguarded.

Payroll

According to 2 C.F.R. Part 225, Cost Principles for State, Local and Indian Tribal Governments, (formerly known as OMB Circular A-87), employees working solely on a single federal award or cost objective, must support charges for their salaries with periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and signed by the employee and the supervisory official having firsthand knowledge of the work performed by the employee.

We discussed our concerns with Anchorage officials who explained that its Meth Coordinator position was considered an "executive" position, and according to Anchorage's policy, executive personnel were not required to submit time cards. The requirement in 2 C.F.R. Part 225 makes no distinction as to who is required to adhere to the certification rules, whether executive personnel or non-executive personnel. Therefore, Anchorage's Meth Coordinator and the respective supervisor were responsible for

preparing and submitting certifications. We recommend that OJP ensure Anchorage strengthens its internal controls to make certain its employees and respective supervisors properly certify the time that is charged to the grant.

Overtime Allocation

As discussed above, the *OJP Financial Guide* requires that grantees establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. Further, the guide states that the accounting system should provide adequate maintenance of financial data to enable planning, control, and measurement. We found that Anchorage did not have a formal written procedure for allocating overtime to the grant. Instead, Anchorage relied on an unwritten practice, which included the grant manager tabulating overtime hours from police officer's overtime slips. In addition, the grant manager calculated the fringe benefit costs and then provided the information to the grant accountant who reclassified the overtime expenditures from Anchorage's general fund to the grant account. However, since the allocation method was not performed using data from the official accounting system, we found discrepancies in the overtime and fringe benefit charges. For example, we found that work performed on the Zero Tolerance and Foot Patrol Projects between May and August of 2009 was reclassified to the grant in October 2009. We also found data entry errors and inaccurate fringe benefit cost calculations. We discuss these discrepancies in more detail in the Payroll and Reporting sections of this report.

We discussed these issues with Anchorage officials who stated that a new timekeeping system has been implemented by APD as of December 2011. The Grant Manager stated that the new software provides for employee entry and coding of grant related time into the system thereby eliminating the need for reclassification of grant expenditures. We recommend that OJP ensure that Anchorage strengthens its allocation procedures to make certain that overtime expenditures are accurately and in a timely manner charged to the grant.

Drawdowns

According to the grant solicitation, Anchorage was allowed to draw down the entire grant award amount. We found that Anchorage was drawing down grant funds on a reimbursement basis. On March 12, 2010, Anchorage made its initial drawdown of grant funds in the amount of \$191,471. Subsequently, Anchorage made three more drawdowns. We found, as shown in Exhibit 2, that all four drawdowns were made on a

reimbursement basis. Additionally, as of May 30, 2011, there was \$2,421,643 in grant funds that were available for Anchorage to draw down.

**EXHIBIT 2
DRAWDOWN HISTORY FOR
GRANT 2009-SB-B9-1238**

DATE OF DRAWDOWN	AMOUNT DRAWN	CUMULATIVE DRAWDOWNS	GRANT EXPENDITURES	CUMULATIVE EXPENDITURES	CUMULATIVE DIFFERENCES
03/12/10	\$ 191,471	\$ 191,471	\$ 207,979	\$ 207,979	<\$16,508>
05/25/10	23,529	215,000	18,832	226,811	< 11,811 >
12/23/10	45,071	260,071	50,864	277,675	< 17,604 >
03/08/11	18,623	278,694	1,019	278,694	0

Source: Anchorage and OJP

Expenditures

As of May 2, 2011, Anchorage expended \$329,059 of the grant according to its accounting records. The expenditures were comprised of salaries, fringe benefits, travel, and other direct costs. In our testing of the salary and fringe benefit costs, we selected a judgmental sample of two non-consecutive pay periods for the Meth Coordinator and a separate judgmental sample for overtime. We tested the selected payroll transactions to verify that salaries and fringe benefit costs were accurate, adequately supported, and reasonable. We describe the results of our payroll testing below. Besides payroll, there were a total of 24 non-payroll transactions, totaling \$55,972. We selected and tested all 24 transactions. When conducting our transaction testing of expenditures, we reviewed supporting documentation (payment vouchers, invoices, and check copies for each of the transactions. We found that all of the non-personnel expenditures reviewed were accurate, reasonable, and properly classified as grant-related expenditures.

Payroll

Anchorage utilized the grant to fund: its Meth Coordinator position, its Grant Manager's overtime and fringe benefits, and the overtime of the police officers that conducted patrols in Anchorage's downtown and high crime areas. According to Anchorage's budget narrative in its grant application a total of \$368,366 was planned to be expended for grant-related personnel expenses (salaries and fringe benefits).

We judgmentally selected two non-consecutive pay periods to test the Meth Coordinator's salary and fringe benefit expenses. As part of our testing, we attempted to determine whether: (1) the Meth Coordinator's salary was reasonable, and (2) Anchorage accurately computed, properly

authorized, accurately recorded, and properly allocated to the grant the Meth Coordinator's salary and fringe benefits. We did not test fringe benefits to determine whether it was in accordance with the grant's budget, as Anchorage was not required to notify OJP of changes to the grant's budget provided that the expenditures remained within the scope of the BJA-approved purpose areas.

We obtained a list of employees paid using grant funds. The only employee's salary paid with grant funds was the Meth Coordinator. We tested the reasonableness of the Meth Coordinator's salary, which included making a comparison between her salary and the salary for a related position in the Anchorage area. Based on our review, we found that the Meth Coordinator's salary was reasonable. Furthermore, we traced the associated fringe benefits that were charged to the grant to source documents and determined that these expenditures were adequately supported.

The *OJP Financial Guide* specifically states that payroll records shall include the time and attendance reports for all individuals reimbursed under the award. In addition, 2 C.F.R. Part 225, Cost Principles for State, Local, and Indian Tribal Governments states that charges to federal awards for salaries and wages will be based on documented payrolls approved by a responsible official. Further, 2 C.F.R. Part 225 states that "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation . . ." However, if an employee's time is completely devoted to the grant, 2 C.F.R. Part 225, Cost Principles for State, Local, and Indian Tribal Governments states:

. . . where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Based on these criteria, we reviewed Anchorage's payroll records and the Meth Coordinator's timecards. Anchorage provided to us only five bi-weekly timecards for the 2-year period that the Meth Coordinator's salaries and fringe benefits were charged to the grant. As a result, 34 timecards for this position did not exist. We asked Anchorage officials why they did not

maintain timecards for all of the pay periods. Anchorage officials stated that municipal policy did not require employees hired under the "Executive" work group, which included the Meth Coordinator position, to prepare and submit timecards.

Based on our review of the Meth Coordinator's personnel file and time and attendance report, we determined that between December 2009 and December 2010, 100 percent of the Meth Coordinator's salary was allocated to the grant. Besides the five bi-weekly timecards, there were no other certifications for the Meth Coordinator that supported her working solely on the grant program as required by 2 C.F.R. Part 225.

We tested the Meth Coordinator's five timecards and identified the following:

- Anchorage properly completed and authorized timecards for two pay periods (August 17 to 30, 2009, and August 31 to September 13, 2009);
- Anchorage failed to properly authorize (lacked supervisory signatures) timecards for two pay periods (September 14 to 27, 2009, and September 28 to October 11, 2009); and
- Anchorage properly authorized and accurately recorded the timecard for one pay period (November 8 to 21, 2010), but it failed to provide a description regarding the work that was performed, which would identify whether or not the work was grant-related.

As a result, three of the five timecards were incomplete. Based on Anchorage's failure to maintain 34 timecards for its Meth Coordinator and the incomplete nature of the three of the five timecards that it maintained, we questioned \$83,531 in payroll expenses (salary and fringe benefits) that were inadequately supported. We also recommend that OJP ensure Anchorage maintains adequate support for its grant-funded employees' payroll expenses.

In addition to the Meth Coordinator's timesheets, we reviewed 28 of Anchorage's police officers' overtime slips. We found that some police officers' overtime slips were lacking employee signatures, supervisory signatures, descriptions of the work performed, or the shift start and end times. According to 2 C.F.R. Part 225, Cost Principles for State, Local, and Indian Tribal Governments, ". . . where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation . . ."

Therefore, we questioned \$243 in overtime costs that were improperly authorized or lacking a supervisory signature. The remaining overtime costs tested were adequately supported. As a result, the total questioned cost in payroll expenses was \$83,774.

The *OJP Financial Guide* specifically states that “the recipient is responsible for establishing and maintaining an adequate system of accounting . . .” that “. . . presents and classifies projected historical cost of the grant as required for budgetary and evaluation purpose.” Anchorage charged grant-related overtime accrued by its police officers and grant manager to the police department’s operating (or general) fund. Afterwards, Anchorage manually re-classified grant-related overtime charges to the grant account through correcting journal entries. Anchorage provided us with support for its correcting journal entries and we traced the overtime charges to the source documents (overtime slips). We identified eight instances of vague handwritten descriptions on the overtime slips that were prepared by Anchorage’s police officers. As a result, we were unable to ascertain whether the police officers had worked on grant-related activities. When Anchorage’s Payroll Department manually posted the overtime journal entries to the grant account, it relied on the overtime slips that contained vague, handwritten descriptions of the work performed. Anchorage’s Grant Manager explained that as of December 2011, APD converted from a manual time-keeping system to an electronic time-keeping system, in which each APD employee electronically selects the correct project code to which their time should be charged. The Grant Manager anticipates that the conversion will result in employees entering time data directly into the system and thereby eliminate vague handwritten descriptions as well as any potential data entry errors resulting from staff misinterpreting vague hand-written descriptions. We recommend that OJP ensure Anchorage establishes a process to accurately record grant-related overtime costs in its accounting system.

Fringe Benefits

According to 2 C.F.R. Part 225, Cost Principles for State, Local, and Indian Tribal Governments:

[t]he cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance . . .; pension plan costs . . .; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect

costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

The costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.

We tested two non-consecutive payroll periods worth of fringe benefits related to Anchorage's Meth Coordinator. As a result, we identified calculation and data entry errors in the overtime expenditures that Anchorage charged to the grant. Therefore, we expanded our testing of overtime related fringe benefits to 100 percent of what was charged to the grant. We traced the fringe benefit charges to source documents and determined that these expenditures were reasonable and adequately supported; however, we found that the charges were not computed correctly. Specifically, fringe benefits that related to the Meth Coordinator, police officers, and Grant Manager were overstated by a net total of \$1,484, which we questioned. Anchorage officials stated that the computational discrepancies were caused by data entry errors, software limitations, and the use of incorrect fringe benefit rates. We recommend that OJP ensure Anchorage establishes appropriate procedures and internal controls to make certain that fringe benefit expenses are accurately recorded in its accounting system.

Monitoring of Sub-Recipients and Contractors

Based on our analysis of Anchorage's grant accounting records as well as statements from the Grant Manager, we determined that Anchorage had no sub-recipients. However, as of our fieldwork in May 2011, Anchorage entered into two contracts that were funded by the Recovery Act JAG grant.

An official from Anchorage's Information Technology Department stated that the purpose of the first contract was to install the legal file tracking system, in order to increase the efficiency of retrieving legal files. This first contract was above \$100,000 and it was a sole source contract. Anchorage officials explained that they entered into a sole source contract with a vendor because it was the only company that could provide all of the file tracking capabilities the Legal Department sought. However, Anchorage

did not obtain pre-approval from OJP to enter into a sole source contract valued above \$100,000, as required. The *OJP Financial Guide* states that: “[a]ll sole-source procurements in excess of \$100,000 must receive prior approval from the awarding agency.” Anchorage’s Purchasing Officer stated that Anchorage’s Purchasing Department had obtained approval from the Anchorage Assembly to proceed with the sole source contract and the Purchasing Department confirmed that the vendor was not included on the federal “No Buy” list. Despite following these internal procedures, Anchorage overlooked the requirement to request federal pre-approval before signing the contract. After we identified this issue and brought it to the attention of Anchorage’s Grant Manager, he submitted a request to OJP seeking retroactive approval for the sole source contract. OJP retroactively approved the request and issued a Grant Adjustment Notice to formally document its decision.

To complete another element of the legal file tracking system, installation of cables, Anchorage’s Legal Department decided to use a local company for its second contract. Documentation provided by Anchorage showed that this contract was less than the \$100,000 threshold and was awarded based on a competitive bidding process. In reviewing the details of this contract we found that Anchorage complied with its internal procurement policies.

Title 28 C.F.R. § 66.36 requires that grantees “maintain a contract administration system which ensures that contractors perform in accordance with terms, conditions, and specifications of their contracts or purchase orders.” The *OJP Financial Guide* states that grantees are required to “...ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements.” In addition, Anchorage’s procurement policy states: “[a]fter award of the contract and during performance of the work, the Municipal agency contract administrator will review and examine each contractor invoice or billing to determine if each charge or billing meets the test of being reasonable, lawful and allowable before approving for payment.” Furthermore, Anchorage’s Municipal codes on procurement states: “[t]he using agency shall administer all contracts for supplies, services or professional services...”

According to an official with Anchorage’s Legal Department, she used the “Scope of Services” from the first contract to keep track of the contractor’s performance and progress on the contract. Further, she stated that the equipment and services were delivered on time. We reviewed the “Scope of Services” for the first contract and noted that it listed in detail deliverables such as steps for setting up and configuring the hardware and

software as well as the quantity and cost of the hardware and implementation of services. This same Anchorage official also stated that she has been monitoring the progress of the work being performed by the contractors for the second contract and she knows what work has been performed.

Further, a finance person at the Legal Department reviewed the purchase orders and invoices before submitting them to Anchorage's Office of Management and Budget for payment approval. We asked an official from Anchorage's Legal Department whether any evaluations were performed on the contractors' financial management systems as well as processes and procedures for administering the contracts and adhering to the grant's terms and conditions. The official stated that the Legal Department has not evaluated the contractors' financial management systems or the contractors' processes and procedures for administering the contracts. However, the same official stated that she has worked closely with the contractors and therefore she has first-hand knowledge of whether or not the contractors have been adhering to the grant's terms and conditions.

We asked an official from Anchorage's Legal Department whether she or anyone else at the Legal Department performed any type of reviews or on-site visits to the contractors, including telephone reviews. The official stated that no one at the Legal Department has performed any on-site review of the contractor. However, she conducts frequent telephonic meetings with the contractor to discuss the progress of the project.

Based on our review of the contract file and our discussion with Anchorage officials, we determined that Anchorage's review of contractors' performance appeared adequate to satisfactorily evaluate the contractors' adherence to the requirements of the contracts.

Reports

According to the *OJP Financial Guide*, award recipients are required to submit both quarterly Federal Financial Reports (FFR) and quarterly Progress Reports. Moreover, since this was a Recovery Act grant, Anchorage was also required to submit quarterly Recovery Act reports. These reports describe the status of the funds, compare actual accomplishments to the objectives of the grant, and report other pertinent information. We reviewed the FFRs, Progress Reports, and quarterly Recovery Act reports submitted by Anchorage to determine whether each report was accurate and submitted in a timely manner.

Federal Financial Reports

According to the requirements of the award, quarterly FFRs are due no later than 30 days after the end of the quarter, with the final FFR due within 90 days after the end date of the award.⁷ We reviewed the last four FFRs submitted for the grant to determine if Anchorage submitted these reports on time. We found that Anchorage submitted all four reports in a timely manner.

EXHIBIT 3 FEDERAL FINANCIAL REPORT HISTORY FOR GRANT 2009-SB-B9-1238

REPORT NO.	REPORTING PERIOD	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
6	04/01/10 - 06/30/10	07/30/10	07/13/10	0
7	07/01/10 - 09/30/10	10/30/10	10/25/10	0
8	10/01/10 - 12/31/10	01/30/11	01/22/11	0
9	01/01/11 - 03/31/11	04/30/11	04/29/11	0

Source: Anchorage and OJP

We also reviewed the four most recent FFRs when we began our audit to determine whether the reports contained accurate information related to actual expenditures for the award. The *OJP Financial Guide* requires that FFRs contain the actual expenditures and unliquidated obligations as incurred for the reporting period and cumulative for the award. The award recipients must report program outlays and revenue on a cash or accrual basis in accordance with their accounting system. As shown in Exhibit 4, we found that the four most recent FFRs were accurate.

EXHIBIT 4 ACCURACY OF FEDERAL FINANCIAL REPORTS FOR GRANT 2009-SB-B9-1238

REPORT NO.	REPORTING PERIOD	EXPENDITURE PER FFR	EXPENDITURE PER RECORDS	DIFFERENCE
6	04/01/10 - 06/30/10	\$ 18,878	\$ 18,878	\$ 0
7	07/01/10 - 09/30/10	26,193	26,193	0
8	10/01/10 - 12/31/10	18,623	18,623	0
9	01/01/11 - 03/31/11	517	517	0

Source: Anchorage and OJP

⁷ In October of 2009, the financial reporting requirement for grantees transitioned from quarterly Financial Status Reports to quarterly FFRs. Throughout this section, we refer to both report formats as FFRs.

Progress Reports

OJP requires JAG grant recipients to submit Progress Reports quarterly. The Progress Reports are due 30 days after the close of each quarter. We found that Anchorage submitted all of its Progress Reports on time, except for the one representing the period ending June 30, 2010, which was submitted 6 days late. The late Progress Report was delayed by the implementation of a new OJP system, and all subsequent Progress Reports were submitted timely. Therefore, we do not take exception to this issue.

EXHIBIT 5 PROGRESS REPORT HISTORY FOR GRANT 2009-SD-B9-1238

REPORT No.	REPORTING PERIOD	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
1	07/01/09 - 09/30/09	10/30/09	NOT REQUIRED	N/A
2	10/01/09 - 12/31/09	01/30/10	NOT REQUIRED	N/A
3	01/01/10 - 03/31/10	04/30/10	04/14/10	0
4	04/01/10 - 06/30/10	07/30/10	08/05/10	6
5	07/01/10 - 09/30/10	10/30/10	10/05/10	0
6	10/01/10 - 12/31/10	01/30/11	01/12/11	0
7	01/01/11 - 03/31/11	04/30/11	04/08/11	0

Source: Anchorage and OJP

The *OJP Financial Guide* states that:

. . . the funding recipient agrees to collect data appropriate for facilitating reporting requirements established by Public Law 103-62 for the Government Performance and Results Act. The funding recipient will ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation.

We reviewed Anchorage's Progress Reports to determine if they accurately reflected grant activity and accomplishments. We found that three of five Progress Reports submitted did not accurately reflect the status and progress of the grant. Specifically, we found the Progress Reports for the periods ending March 31 through September 30, 2010, did not accurately reflect the correct amount of grant administration hours, and printing and travel costs. Anchorage officials advised that discrepancies in hours reported were caused by delays in recording overtime to the grant. As discussed earlier in this report, Anchorage officials explained that the APD has implemented, as of December 2011, a new timekeeping system which

they advise eliminates the delay in recording overtime hours to grants by having employees input the time directly into Anchorage’s grant accounting system when it is incurred.

Additionally, questions considered applicable to the grant were marked NR, meaning “not reported.” For example, Anchorage did not indicate in its Progress Report crime statistics for any reporting period. Anchorage officials explained that the discrepancies occurred because OJP’s questions in the Progress Reports were not clear. Also, Anchorage officials stated that questions related to crime statistics were answered with an NR because Anchorage did not feel it could provide accurate answers that reflected the long term results of its patrols. We recommend that OJP ensure Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate Progress Reports.

Recovery Act Reports

Section 1512 of the Recovery Act requires recipients of Recovery Act funds to submit quarterly reports. Anchorage’s initial report was due October 10, 2009, with subsequent reports due 10 days after the close of each quarter. We reviewed Anchorage’s Recovery Act reports beginning with the period ending September 30, 2009, through the period ending March 31, 2011. We found that six of the seven reports were submitted on time and one report was submitted 3 days late. Given that the one late report was only 3 days late, we did not take exception to this issue.

**EXHIBIT 6
RECOVERY ACT REPORT HISTORY FOR
GRANT 2009-SD-B9-1238**

REPORT No.	REPORTING PERIOD	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
1	07/01/09 - 09/30/09	10/10/09	10/01/09	0
2	10/01/09 - 12/31/09	01/10/10	01/08/09	0
3	01/01/10 - 03/31/10	04/10/10	04/05/10	0
4	04/01/10 - 06/30/10	07/10/10	07/13/10	3
5	07/01/10 - 09/30/10	10/10/10	10/08/10	0
6	10/01/10 - 12/31/10	01/10/11	01/04/11	0
7	01/01/11 - 03/31/11	04/10/11	04/05/11	0

Source: Anchorage and OJP

According to OMB guidance, the Recovery Act reports aim to provide transparency into the use of Recovery Act funds. The Recovery Act reports are required to include the following information:

- total amount of funds received and the amount of funds spent on projects and activities;
- list of those projects and activities funded by name, including a description, completion status, and estimates on jobs created or retained; and
- details of sub-awards and other payments.

In the Recovery Act reports, the data pertaining to jobs created and retained is reported in the form of Full Time Equivalents (FTE).⁸ As shown below, we reviewed the seven Recovery Act reports for accuracy, and found that six of the seven contained inaccuracies as to the number of FTE's reported. Anchorage officials stated that inaccuracies reflected in Recovery Act report numbers 3 through 6 were caused by timing differences. Anchorage officials explained that the closure of Anchorage's accounting records for a reported month may not be complete in order to enable Anchorage to report the correct number of FTEs within 10 days of the quarter's end, which is the deadline to submit the Recovery Act report. This caused payroll transactions posted after the deadline to remain unreported until reported in a subsequent reporting period.

⁸ According to OMB Memorandum 10-08, dated December 18, 2009, the formula for FTE reporting divides the Total Number of Hours Worked and Funded by Recovery Act within [the] Reporting Quarter by the Quarterly Hours in a Full-Time schedule. OMB Memorandum 10-08 describes the calculation of Quarterly Hours in a Full-Time Schedule as 520 hours (2,080 hours annually divided by 4 quarters).

**EXHIBIT 7
ACCURACY OF RECOVERY ACT REPORTS FOR
GRANT 2009-SD-B9-1238**

REPORT No.	REPORT PERIOD FROM - TO DATES	NUMBER OF HOURS WORKED AND FUNDED PER QUARTER CALCULATED	FTE'S CALCULATED	NUMBER OF HOURS WORKED AND FUNDED PER QUARTER REPORTED⁹	FTE'S REPORTED
1	07/01/09 - 09/30/09	2,773	5.33	0	0.00
2	10/01/09 - 12/31/09	155	0.30	2,920	5.60
3	01/01/10 - 03/31/10	511	0.98	468	0.90
4	04/01/10 - 06/30/10	526	1.01	468	0.90
5	07/01/10 - 09/30/10	538	1.03	559	1.07
6	10/01/10 - 12/31/10	297	0.57	312	0.60
7	01/01/11 - 03/31/11	0	0.00	0	0.00

Source: FederalReporting.gov and Anchorage

The remaining two inaccurate reports (Recovery Act report numbers 1 and 2) represented the reporting periods ending September and December of 2009. An Anchorage official stated that the inaccuracies contained within these two reports were caused by delays in posting journal entries related to the grant's overtime expenses. The Anchorage official explained that hours worked during the quarter ending September 30, 2009, were not reported until the following reporting cycle because its grant account was not internally setup in time to provide the necessary information. The grant account could not be set up until the Anchorage Assembly approved the local annual appropriation and Anchorage's departments signed off on the established budget. As a result, the initial recording of grant related expenses was postponed until October 13, 2009. We recommend that OJP ensure Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate Recovery Act reports.

Additional Award Requirements

We reviewed Anchorage's compliance with additional grant requirements, such as the grant's solicitation material and special conditions included as part of the grant's award documentation. We found that Anchorage generally complied with the additional grant requirements, except for two instances of non-compliance.

⁹ In the second quarterly Recovery Act report that Anchorage submitted, Anchorage included hours worked from the beginning of the grant in March 2009 through September 30, 2009.

According to the grant award documentation, Anchorage was required to provide to OJP's Office for Civil Rights an approved Equal Employment Opportunity Plan. OJP's Office of Civil Rights last approved an Equal Employment Opportunity Plan for Anchorage on July 2, 2008. This Equal Employment Opportunity Plan was in effect for 2 years, until July 2, 2010. Since that time and as of June 13, 2012, OJP's Office of Civil Rights did not have a current Equal Employment Opportunity Plan for Anchorage. We recommend that OJP ensure Anchorage complies with the award requirement to provide to OJP's Office of Civil Rights and maintain an approved Equal Employment Opportunity Plan.

Second, according to the grant solicitation and the *OJP Financial Guide*, "federal funds must be used to supplement existing state and local funds for program activities and must not replace those funds that have been appropriated for the same purpose." On June 22, 2009, Anchorage agreed to adhere to the grant's non-supplanting requirement that accompanied the grant award documentation, which stated that "funds received under this award . . . be used to increase the amounts of such funds that would, in the absence of Federal funds, be made available for law enforcement activities."

In our review of grant expenditures, we noted indications of supplanting related to Anchorage's Zero Tolerance Project. In 2008 and 2009, Anchorage used both local and federal funding to pay for police officer overtime incurred in the Zero Tolerance Project.¹⁰ As indicated in Exhibit 8, between 2008 and 2009, overall police officer overtime expenditures in the project decreased by 27 percent (\$124,284 - \$90,136). However, the distribution of both local and federal funding in 2009 within the project was not commensurate with 2008 levels, even after taking into consideration an overall funding decrease of 27 percent in the Zero Tolerance Project. Specifically, between the 2 years, the rate of reduction in local funding for police officer overtime charged to the project was 63 percent – more than double the rate of reduction in total overtime for the same project (27 percent). However, there was a 38 percent increase in the utilization of federal funding for the Project's overtime expenses between the 2 years. These allocations were indicators that Anchorage supplanted rather than supplemented local funds.

¹⁰ The APD included overtime as a line item in its annual budget. Exhibit 9 provides specific budgetary information regarding APD's overtime.

**EXHIBIT 8
ANCHORAGE'S ZERO TOLERANCE PROJECT
FUNDING DISTRIBUTION FOR POLICE OFFICER OVERTIME¹¹**

	2008	2009	DIFFERENCE BETWEEN 2008 AND 2009	
			AMOUNT	PERCENTAGE
Local Funding	\$ 81,013 (65%)	\$ 30,222 (34%)	<\$ 50,791>	<63%>
Federal Funding ¹²	43,271 (35%)	59,914 (66%)	16,643	38%
Total Police Officer Overtime	\$ 124,284 (100%)	\$ 90,136 (100%)	<\$ 34,148>	<27%>

Source: Anchorage

We discussed with Anchorage officials the issue of supplanting regarding Anchorage's Zero Tolerance Project who explained that Anchorage experienced budgetary reductions beginning in 2009, which reduced the amount of overtime that could be paid with local funding. On February 17, 2009, the Anchorage Assembly had a special meeting to discuss Anchorage's anticipated \$17 million budget shortfall.¹³ According to the minutes of the meeting, there was a discussion pertaining to how all departments within Anchorage, including the APD, would contribute in cost savings to bridge the budget gap. According to APD Officials, the APD directed an across-the-board cut in all unnecessary overtime hours.

We compared APD's budgeted and actual, locally funded overtime expenses for FYs 2007 through 2010. As illustrated in Exhibit 9, APD's actual overtime expenses decreased significantly from 2007 to 2010.

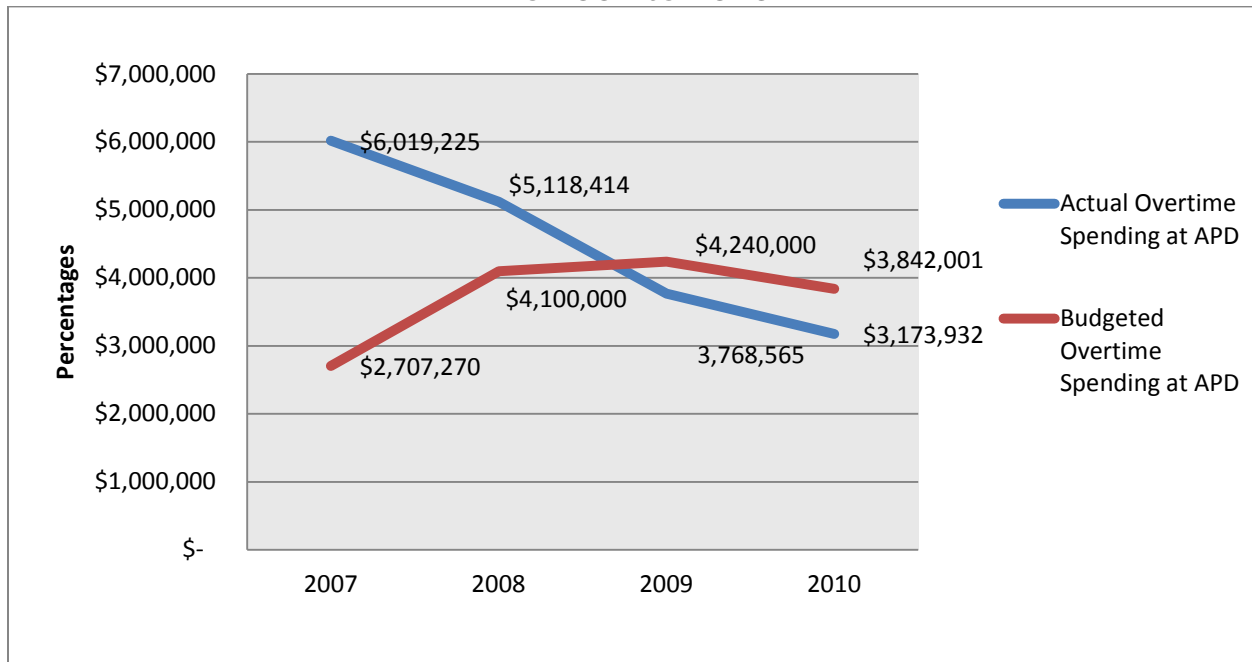
¹¹ The overtime amounts included in Exhibit 8 do not include corresponding fringe benefit charges. For example, for the \$50,791 difference in locally funded overtime between 2008 and 2009, there was \$13,738 in associated fringe benefit charges (totaling \$64,529).

¹² In 2008, the source of the federal funding for police officer overtime in Anchorage's Zero Tolerance Project was an OJP Weed and Seed grant. In 2009, the source of the federal funding was OJPs' Recovery Act JAG grant. The Weed and Seed Program is a comprehensive, multi-disciplinary approach to combating violent crime, drug use, and gang activity in high crime neighborhoods. The goal is to "weed out" violence and drug activity in high crime neighborhoods and then to "seed" the sites with a wide range of crime and drug prevention programs, human service resources, and neighborhood restoration activities to prevent crime from reoccurring.

¹³ The Anchorage Assembly is Anchorage's legislative body that is responsible for setting Municipal policy through the enactment of laws (ordinances) and adoption of resolutions. Besides enacting laws, the Assembly approves the Municipal and School Board budgets, appropriates all money, awards contracts over \$100,000 through the competitive bid process, and confirms all appointments to Municipal boards and commissions.

However, APD's overtime budget had a different trajectory in that the overtime budget increased between 2007 and 2009, then in 2010, it decreased slightly.

**EXHIBIT 9
APD'S BUDGETED AND ACTUAL
LOCALLY FUNDED OVERTIME EXPENSES
FYs 2007 to 2010**



Source: APD

In Exhibit 10, we compared APD's overall actual expenditures between 2008 and 2009 with APD's overall actual overtime expenses and the total overtime charges to Anchorage's Zero Tolerance Project.

**EXHIBIT 10
COMPARISON OF APD'S ACTUAL OVERALL EXPENDITURES,
OVERTIME, AND ZERO TOLERANCE PROJECT OVERTIME
FYs 2008 AND 2009**

	2008	2009	DIFFERENCE BETWEEN 2008 AND 2009	
			AMOUNT	PERCENTAGE
APD Overall Expenditures	\$79,829,773	\$76,787,017	<\$3,042,756>	<4%>
APD Overall Overtime	5,118,414	3,768,565	<1,349,849>	<26%>
APD Zero Tolerance Project Overtime	124,284	90,136	<34,148>	<27%>

Source: Anchorage

Exhibits 9 and 10 illustrate that Anchorage's 63 percent reduction in locally funded overtime for its Zero Tolerance Project was above and beyond any of Anchorage's and APD's other reductions in expenditures, including specifically overtime. These comparisons reinforce the indication that Anchorage supplanted rather than supplemented local funds when it shifted the majority of the funding burden for overtime in its Zero Tolerance Project to OJP's Recovery Act JAG grant.

In addition, we reviewed Anchorage's 2009 Comprehensive Annual Financial Report and noted that APD had an unreserved ending fund balance of approximately \$1.5 million as of year-end 2009. The grant manager explained that APD's overall expenses in 2009 were less than its budget. The \$1.5 million surplus was transferred from APD's unreserved fund balance back to the municipality at year-end.

As a result of our analysis, we questioned \$64,529 in federal grant funds that Anchorage spent on Zero Tolerance Project overtime expenditures that appeared to supplant rather than supplement local funds. We also recommend that OJP ensure Anchorage complies with the award requirement to properly utilize grant funds to supplement, and not replace, local funds for grant-related activities.

Program Performance and Accomplishments

According to the grant application, the goals and objectives for Anchorage's Recovery Act JAG grant included: (1) the rehabilitation of APD's mobile data computer infrastructure system (Data Infrastructure Project), (2) the funding of overtime for two patrol projects, and (3) the funding for a Meth Coordinator position. In addition, the grant funded a prosecutor position and the installation of a legal file tracking system. According to Anchorage's Grant Manager and our review of Anchorage's accounting records in May of 2011, Anchorage had initiated its Data Infrastructure Project and completed funding the Foot Patrol Project and Meth Coordinator position. Also, Anchorage had initiated the installation of a legal file tracking system. However, Anchorage had not filled the prosecutor position as of May 6, 2011.

We determined that Anchorage was behind schedule on its Data Infrastructure Project. In its grant application, Anchorage provided a timeline for when it would begin and complete its mobile data computer infrastructure system program. During our fieldwork, we noted that Anchorage was behind schedule when compared to its timeline. Specifically, the mobile data computer infrastructure system program was supposed to start in the fourth quarter of 2009, but actually it began in the second quarter of 2011. Anchorage officials expressed assurances that they are capable of completing

the remaining objectives by the close of the grant period. Anchorage has until the grant end date of February 28, 2013, to complete all grant activities and achieve its objectives.

According to the grant solicitation material, Anchorage was required to establish performance measurements in order to gauge its progress in achieving its goals and objectives. These performance measures were included in Anchorage's grant application, and it consisted of the following:

1. Local Initiatives Implemented,
2. Cost Savings (man hours) as a result of new systems implemented,
3. Number of overtime hours paid with JAG funds,
4. Percent of Units that report improved efficiency,
5. Percent of Units that report increased program quality,
6. Amount of funds expended on equipment or supplies,
7. Change in reported crime rates in a community,
8. Number of prevention program meetings,
9. Grant Program Reporting,
10. Recovery Act: Preserving Jobs, and
11. Recovery Act: Jobs Created.

Based on our review of supporting documentation, we found that Anchorage maintained performance measurement data for performance measures 3, 6, 7, 10, and 11, but did not gather or maintain data for the remaining 6 performance measures. Anchorage officials stated that its progress in achieving grant goals and objectives is reported to OJP based on the Grant Manager's opinion and observations. We recommend that OJP ensure Anchorage collects and maintains performance measurement data with corresponding support on its efforts to achieve the grant goals and objectives.

Conclusion

Overall, we found non-personnel grant-related expenditures were accurate, reasonable, and properly classified. Additionally, Anchorage's oversight of contractors appeared adequate and accurate FFRs were submitted in a timely manner. Anchorage's review of contractors' performance appeared adequate to satisfactorily evaluate the contractors' adherence to the requirements of the contracts.

However, we noted internal control weaknesses that resulted in ineffective safeguarding of assets, inadequate support for labor charges, and inaccurate recording of grant related overtime. Also, we identified inadequately supported payroll expenses totaling \$83,774 and overtime and

fringe benefit expenses totaling \$1,484. Anchorage's non-financial grant reports were inaccurate, including errors in three Progress Reports and six quarterly Recovery Act reports. We also identified indications that Anchorage used grant funds to replace, rather than supplement, local funds for grant-related activities. As a result, we questioned \$64,529 as unallowable overtime and associated fringe benefits costs. Finally, Anchorage also did not collect and maintain adequate data relevant to grant performance measures, and it did not comply with two award requirements.

Recommendations

We recommend that OJP:

1. Ensure that Anchorage strengthens its internal controls to make certain that asset recording and inventory duties are adequately segregated and grant-related assets are adequately safeguarded.
2. Ensure that Anchorage strengthens its internal controls to make certain its employees and respective supervisors properly certify the time that is charged to the grant.
3. Ensure that Anchorage strengthens its allocation procedures to make certain that overtime expenditures are accurately, and in a timely manner, charged to the grant.
4. Remedy \$83,774 in payroll expenditures that were inadequately supported.
5. Ensure Anchorage maintains adequate support for its federally grant-funded employees' payroll expenses.
6. Ensure Anchorage establishes a process to accurately record grant-related overtime costs in its accounting system.
7. Remedy \$1,484 in fringe benefit charges that were inaccurately recorded.
8. Ensure that Anchorage establishes appropriate procedures and internal controls to make certain that fringe benefit expenses are accurately recorded in its accounting system.

9. Ensure that Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate Progress Reports and Recovery Act reports.
10. Ensure Anchorage complies with the award requirement to provide to OJP's Office of Civil Rights and maintain an approved Equal Employment Opportunity Plan.
11. Remedy \$64,529 in federal grant funds that Anchorage spent on Zero Tolerance Project overtime expenditures that appeared to supplant rather than supplement local funds.
12. Ensure Anchorage complies with the award requirement to properly utilize grant funds to supplement, and not replace, local funds for grant-related activities.
13. Ensure Anchorage collects and maintains performance measurement data with corresponding support on its efforts to achieve the grant goals and objectives.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether costs claimed under Grant 2009-SB-B9-1238 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, indirect costs, matching, budget management, and post end date activity were not applicable to this grant.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of Grant 2009-SB-B9-1238 in March 1, 2009, through the start of our audit fieldwork on May 1, 2011. Further, the criteria we audited against are contained in the *OJP Financial Guide*, Code of Federal Regulations, OMB Circulars, the Recovery Act, and specific program guidance, such as award documents and the grant solicitation.

We did not test internal controls for Anchorage taken as a whole or specifically for the grant program administered by Anchorage. An independent Certified Public Accountant conducted an audit of Anchorage's financial statements. The results of this audit were reported in the Single Audit Report that accompanied the Independent Auditors' Report for the year ending December 31, 2010. The Single Audit Report was prepared under the provisions of OMB Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to Anchorage or the federal programs it was administering, and assessed the risks of those findings on our audit.

Our testing was conducted by judgmentally selecting for analysis a sample of payroll expenditures from the grant we audited. Judgmental sampling design was applied to obtain broad exposure to numerous facets of the reimbursements reviewed. This non-statistical sample design does not allow projection of the test results to all payroll expenditures.

In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and FFRs. However, we did not test the reliability of the financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines. We also performed limited testing of information obtained from OJP's GMS and found no discrepancies. We have reasonable confidence in the GMS data for the purposes of our audit. However, the OIG has not performed tests of the GMS system specifically, and we therefore cannot definitively attest to the reliability of GMS data.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Costs:		
Unsupported Payroll & Overtime Expenditures	\$ 83,531	12
Unsupported Overtime Expenditures	\$ <u>243</u>	13
Total Unsupported Costs	<u>\$ 83,774</u>	
Unallowable Costs:		
Fringe Benefits Charges	\$ 1,484	14
Supplanted Overtime and Fringe Costs	\$ <u>64,529</u>	25
Total Unallowable Costs	<u>\$ 66,013</u>	
TOTAL QUESTIONED COSTS:	<u>\$ 149,787</u>	
Less: Adjustment to match total drawdowns	< \$0 >	
Less: Duplication ^{14 16}	<u>< \$204 ></u>	
TOTAL DOLLAR RELATED FINDINGS	<u>\$ 149,583</u>	

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

¹⁴ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount.

GRANTEE RESPONSE

MUNICIPALITY OF ANCHORAGE



Office of the Municipal Manager

Phone: 907-343-7110
FAX: 907-343-7140

Mayor Dan Sullivan

October 10, 2012

David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General
US Department of Justice
1200 Bayhill Drive
Suite 201
San Bruno, CA 94066

Subject: 2009-SB-B9-1238 OIG Audit Response

Dear Mr. Gaschke:

The following is in response to the draft audit report issued September 19, 2012 in regards to the 13 recommendations on 2009 ARRA Jag Grant Program, grant number 2009-SB-B9-1238, for the Municipality of Anchorage. As requested, we have listed our responses to each recommendation in the order in which they appeared on pages 27-28 of the draft report.

Recommendation #1 – Ensure that Anchorage strengthens its internal controls to make certain that asset recording and inventory duties are adequately segregated and grant – related assets are adequately safeguarded.

Response to Recommendation #1 – New internal controls will be addressed in new Financial System, SAP, currently set to be deployed in January of 2013. The asset module will enable new protocols that add multiple levels between asset purchase, receipt, recording and inventory accounting processes.

Recommendation #2 – Ensure that Anchorage strengthens its internal controls to make certain its employees and respective supervisors properly certify the time that is charged to the grant.

Response to Recommendation #2 – At the time of audit, the Anchorage Police Department (APD) was still on a paper exception system. APD has since implemented the Telestaff system and has been utilizing it for the past year to ensure that all normal duty and overtime are properly certified.

Recommendation #3 – Ensure that Anchorage strengthens its allocation procedures to make certain that overtime expenditures are accurately and in a timely manner charged to the grant.

Response to Recommendation #3 – Through the implementation of the new Municipal financial system, SAP, and the Telestaff/Kronos interface scheduled for January of 2013, all applicable time will report to the grant during the same pay period in which it was performed. Currently, the process is manual and labor intensive.

Recommendation #4 – Remedy \$83,774 in payroll expenditures that were inadequately supported.

Response to Recommendation #4 – The Municipality concurs with this finding and will remedy the \$83,774 in inadequately supported payroll expenditures.

Recommendation #5 – Ensure Anchorage maintains adequate support for its federally grant-funded employees' payroll expenses.

Response to Recommendation #5 – APD is currently utilizing Telestaff and other municipal employees are utilizing Kronos to ensure compliance with federal requirements of payroll reporting.

Recommendation #6 – Ensure Anchorage establishes a process to accurately record grant-related overtime costs in its accounting system.

Response to Recommendation #6 – Through the implementation of the new municipal financial system, SAP, and the Telestaff/Kronos interface scheduled for January of 2013, all applicable time will report to the grant during the same pay period in which it was performed. The department is currently utilizing Telestaff to process, certify and report time and then a manual process to record to the appropriate grant.

Recommendation #7 – Remedy \$1,484 in fringe benefit charges that were inaccurately recorded.

Response to Recommendation #7 – The Municipality concurs with this finding and will remedy the miscalculation of the fringe benefits in the amount of \$1,484.

Recommendation #8 – Ensure Anchorage establishes appropriate procedures and internal controls to make certain that fringe benefit expenses are accurately recorded in its accounting system.

Response to Recommendation #8 – The Municipality concurs with this finding and has added an additional review to the manual process currently utilized to account for time in the correct grants to ensure proper calculations are charged. By January 2013, the fringe benefit calculation and charges will become automated with the implementation of the new municipal financial system, SAP, and the Telestaff/Kronos interface.

Recommendation #9 – Ensure that Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate Progress Reports and Recovery Act reports.

Response to Recommendation #9 – The Recovery Act reports submitted were true and accurate to the general ledger at the time of reporting. Due to the timing between when the Recovery Act reports are due and the payroll processing cycles, it is possible for some charges to post after the report is submitted. The additional hours were reflected in the following reporting cycle calculations. The additional charges were reflected in the FFR's submitted for the reporting quarter. The Municipality is currently implementing a new payroll and ERP system. The combination of the two systems should be able to ensure an accurate accounting of time for the FTE calculation.

Recommendation #10 – Ensure Anchorage complies with the award requirement to provide to OJP's Office of Civil Rights and maintain an approved Equal Employment Opportunity Plan.

Response to Recommendation #10 – The most current Equal Employment Opportunity Plan (EEOP) from 2007 was provided to the auditors when they were onsite in May 2011. A Workforce Analysis Report for January 2010 through December 2010 has been processed, however a formal EEOP report has not yet been completed.

Recommendation #11 – Remedy \$64,529 in federal grant funds that Anchorage spent on Zero Tolerance Project overtime expenditures that appeared to supplant rather than supplement local funds.

Response to Recommendation #11 – Although the Municipality does not concur that the grant funds supplanted the Zero Tolerance Project as the decision to utilize the grant funds came after the budget was passed and the program funding was eliminated. The grant funds allowed the program to continue with minimal impact to the community. We will remedy the \$64,529 in federal grant funds that were spent in support of the Project.

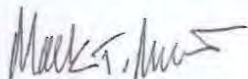
Recommendation #12 – Ensure Anchorage complies with the award requirement to properly utilize grant funds to supplement, and not replace, local funds for grant-related activities.

Response to Recommendation #12 – APD understands the non-supplanting requirement and has always designed its grant projects to ensure compliance. In recent years, Anchorage has experienced annual operating budget difficulties due to reduced return on investments and other local financial issues. In the past few years, the Department's operating budget has been dramatically reduced resulting in the termination or reduction of some special projects and services. Additionally, the Department has been asked to further reduce and lapse any available operating funding at the end of each year. This has made it difficult to temporarily restore funding to viable grant projects without the appearance of impropriety. The Department will continue to be aware of the non-supplanting requirement and ensure a certain balance is maintained to supplement local funds in all its grant related activities.

Recommendation #13 – Ensure Anchorage collects and maintains performance measurement data with corresponding support on its efforts to achieve the grant goals and objectives.

Response to Recommendation #13 – The Performance Management Tool at its initiation, was a bulky and cumbersome system with virtually no available support that resulted in early problems with recording accurate performance information. Further, activities have been reported in accordance with the general ledger to most accurately reflect financial reporting, see answer #9. This process will be much more efficient with the implementation of the new SAP financial system in January 2013.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark Mew", with a stylized flourish at the end.

Mark Mew, Police Chief
Acting Municipal Manager



Municipality of Anchorage

MEMORANDUM

DATE: October 3, 2012
TO: Distribution
FROM: George J. Vakalis, Municipal Manager
SUBJECT: Acting Assignment/Temporary Signature Authority

During my absence from October 6th through October 11th, Chief Mark Mew and Deputy Chief Steve Smith will assume the additional responsibilities of Municipal Manager and signature authority for all documents relating to this position on the days specified below.

October 6-7, 2012 - Deputy Chief Steve Smith, please call 786-8595 during office hours and 727-8447 after office hours.

October 8-11, 2012, Chief Mark, please call 786-8595 during office hours and 632-2562 after office hours.

Distribution:

Mayor
Chief Fiscal Officer
Municipal Attorney
Employee Relations
Office of Management & Budget Director
All Departments under MMO
Municipal Clerk

DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

OCT 19 2012

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM: Maureen A. Henneberg
Director *M. Henneberg*

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Edward Byrne Memorial Justice Assistance Grant Awarded to the Municipality of Anchorage, Alaska*

This memorandum is in response to your correspondence, dated September 19, 2012, transmitting the subject draft audit report for the Municipality of Anchorage, Alaska (Anchorage). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **13** recommendations and **\$149,583** 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 ensure that Anchorage strengthens its internal controls to make certain that asset recording and inventory duties are adequately segregated, and grant-related assets are adequately safeguarded.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that asset recording and inventory duties are adequately segregated, and grant-related assets are adequately safeguarded.

- 2. We recommend that OJP ensure that Anchorage strengthens its internal controls to make certain its employees and respective supervisors properly certify the time that is charged to the grant.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that employees and respective supervisors properly certify the time that is charged to the grant.

- 3. We recommend that OJP ensure that Anchorage strengthens its allocation procedures to make certain that overtime expenditures are accurately, and in a timely manner, charged to the grant.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that overtime expenditures are accurately and timely charged to the grant.

- 4. We recommend that OJP remedy \$83,774 in payroll expenditures that were inadequately supported.**

OJP agrees with the recommendation. We will coordinate with Anchorage to remedy the \$83,774 in questioned costs, related to payroll expenditures that were inadequately supported. If adequate supporting documentation cannot be provided, we will request that Anchorage return the funds to the Department of Justice (DOJ), adjust their accounting records to remove the costs, and submit a revised Federal Financial Report (FFR) for Grant Number 2009-SB-B9-1238.

- 5. We recommend that OJP ensure that Anchorage maintains adequate support for its Federally grant-funded employees' payroll expenses.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure adequate support for its Federally grant-funded employees' payroll expenses is maintained.

- 6. We recommend that OJP ensure that Anchorage establishes a process to accurately record grant-related overtime costs in its accounting system.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to accurately record grant-related overtime costs in its accounting system.

- 7. We recommend that OJP remedy the \$1,484 in fringe benefit charges that were inaccurately recorded.**

OJP agrees with the recommendation. We will coordinate with Anchorage to remedy the \$1,484 in questioned costs, related to fringe benefits costs that were inaccurately recorded. If adequate documentation cannot be provided, we will request that Anchorage return the funds to the DOJ, adjust their accounting records to remove the costs, and submit a revised FFR for Grant Number 2009-SB-B9-1238.

- 8. We recommend that OJP ensure that Anchorage establishes appropriate procedures and internal controls to make certain that fringe benefit expenses are accurately recorded in its accounting system.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that fringe benefit expenses are accurately recorded in its accounting system.

- 9. We recommend that OJP ensure that Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate progress reports and Recovery Act reports.**

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure it submits accurate progress reports and Recovery Act reports.

- 10. We recommend that OJP ensure that Anchorage complies with the award requirement to provide to OJP's Office of Civil Rights, and maintain, an approved Equal Employment Opportunity Plan.**

OJP agrees with the recommendation. We will coordinate with Anchorage to ensure that they provide a copy of an approved Equal Employment Opportunity (EEO) Plan to OJP's Office of Civil Rights. In addition, we will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that approved EEO Plans are maintained and timely submitted.

- 11. We recommend that OJP remedy the \$64,529 in Federal grant funds that Anchorage spent on Zero Tolerance Project overtime expenditures that appeared to supplant, rather than supplement, local funds.**

OJP agrees with the recommendation. We will coordinate with Anchorage to remedy the \$64,529 in questioned costs, related to Federal grant funds spent on Zero Tolerance Project overtime expenditures that appeared to supplant, rather than supplement, local funds. If adequate documentation cannot be provided to support these costs, we will request that Anchorage return the funds to the DOJ, adjust their accounting records to remove the costs, and submit a revised FFR for Grant Number 2009-SB-B9-1238.

12. We recommend that OJP ensure that Anchorage complies with the award requirement to properly utilize Federal grant funds to supplement, and not replace, local funds for grant-related activities.

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that Federal grant funds are used to supplement, and not replace, local funds for grant-related activities.

13. We recommend that OJP ensure that Anchorage collects and maintains performance measurement data, with corresponding support on its efforts to achieve the grant goals and objectives.

OJP agrees with the recommendation. We will coordinate with Anchorage to obtain a copy of procedures implemented to ensure the collection and maintenance of performance measurement data, with corresponding support on its efforts to achieve the grant goals and objectives.

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

Tracey Trautman
Deputy Director for Programs
Bureau of Justice Assistance

Amanda LoCicero
Audit Liaison
Bureau of Justice Assistance

Barry Roberts
Grant Program Specialist
Bureau of Justice Assistance

Louise Duhamel, Ph.D.
Acting Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 20121555

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

The OIG provided a draft of this audit report to Anchorage and OJP. Anchorage's and OJP's responses are incorporated in appendices III and IV of this report, respectively. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation Number:

1. **Resolved.** OJP concurred with our recommendation to ensure that Anchorage strengthen its internal controls to make certain that asset recording and inventory duties are adequately segregated, and grant-related assets are adequately safeguarded. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of the procedures implemented to ensure that asset recording and inventory duties are adequately segregated, and grant related assets are adequately safeguarded. Anchorage stated in its response that it will deploy a new financial system in January 2013 that will address new internal controls. The asset module of the new financial system will provide new protocols related to asset purchases, receipts, recording, and inventory accounting.

This recommendation can be closed when we receive: (1) evidence that Anchorage's new financial system has been deployed; and (2) a description of how Anchorage's new financial system will address the internal control deficiencies we identified, including any new procedures for asset recording, inventory duties, and safeguarding of grant related assets.

2. **Resolved.** OJP concurred with our recommendation to ensure that Anchorage strengthens its internal controls to make certain its employees and respective supervisors properly certify the time that is charged to the grant. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that employees and respective supervisors properly certify time charged to the grant. Anchorage stated in its response that subsequent to our fieldwork it implemented a new timekeeping system that ensures all normal duty and overtime is properly certified.

This recommendation can be closed when we receive: (1) evidence confirming Anchorage's implementation of its new timekeeping system and a description of how it will ensure that all normal duty and overtime is properly certified, and (2) Anchorage's new procedures that ensure employees and respective supervisors properly certify time charged to the grant.

3. **Resolved.** OJP concurred with our recommendation to ensure that Anchorage strengthens its allocation procedures to make certain that overtime expenditures are accurately, and in a timely manner, charged to the grant. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that overtime expenditures are accurately and timely charged to the grant. Anchorage stated in its response that it will implement a new financial system in January 2013, which will enable time to be reported to the grant in the same pay period in which the work was performed.

This recommendation can be closed when we receive: (1) evidence that Anchorage's new financial system has been deployed and a description of how Anchorage's new financial system will ensure that overtime expenditures are accurately and timely charged to the grant; and (2) Anchorage's new procedures that will ensure that overtime expenditures are accurately and timely charged to the grant.

4. **Resolved.** Both OJP and Anchorage concurred with our recommendation to remedy \$83,774 in payroll expenditures that were inadequately supported. OJP stated that it will coordinate with Anchorage to remedy the \$83,774 in questioned costs. If Anchorage cannot provide adequate supporting documentation, OJP will request that Anchorage return the funds to the Department of Justice, adjust its accounting records to remove the costs, and submit a revised FFR.

This recommendation can be closed when OJP provides us: (1) its plan for how it will remedy the questioned costs, and (2) evidence that Anchorage has remedied the \$83,774 of questioned costs.

5. **Resolved.** OJP concurred with our recommendation to ensure that Anchorage maintains adequate support for its federally grant-funded employees' payroll expenses. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented that ensure adequate support is maintained for its federally grant-funded employees' payroll expenses. Anchorage advised that through its use of two timekeeping systems, Kronos and

Telestaff, it is able to ensure compliance with federal requirements for payroll reporting.

This recommendation can be closed when we receive: (1) Anchorage's new procedures to ensure adequate support is maintained for its federally grant-funded employees' payroll expenses, and (2) evidence that this Telestaff system has been deployed and a description of how it will ensure that adequate support is maintained.

6. **Resolved.** OJP concurred with our recommendation to ensure that Anchorage establishes a process to accurately record grant-related overtime costs in its accounting system. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures that have been implemented to accurately record grant-related overtime costs in its accounting system. Anchorage stated that it will resolve this issue through the implementation of its new financial system in January 2013, which will enable time to be reported to the grant within the same pay period in which the work is performed.

This recommendation can be closed when we receive Anchorage's new procedures that have been implemented to accurately record grant-related overtime costs in its accounting system.

7. **Resolved.** Both OJP and Anchorage concurred with our recommendation to remedy \$1,484 in fringe benefit charges that were inaccurately recorded. OJP stated in its response that it will coordinate with Anchorage to remedy the \$1,484 in fringe benefit charges that were inaccurately recorded. If Anchorage cannot provide adequate documentation, OJP will request that Anchorage return the funds to the Department of Justice, adjust its accounting records to remove the costs, and submit a revised FFR.

This recommendation can be closed when OJP provides us: (1) its plan for how it will remedy the questioned costs, and (2) evidence that Anchorage has remedied the \$1,484 of questioned costs.

8. **Resolved.** Both OJP and Anchorage concurred with our recommendation that Anchorage establish appropriate procedures and internal controls to make certain that fringe benefit expenses are accurately recorded in its accounting system. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that fringe benefit expenses are accurately recorded in its accounting system. Anchorage stated that it has added an additional level of review to the current process and it

will implement a new financial system that will automate the process of charging and calculating fringe benefit expenses.

This recommendation can be closed when we receive Anchorage's new procedures that it implemented to ensure fringe benefit expenses are accurately recorded in its accounting system, including the additional level of review added to the current process.

9. **Resolved.** OJP concurred with our recommendation to ensure that Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate progress reports and Recovery Act reports. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented to ensure it submits accurate progress reports and Recovery Act reports.

Anchorage stated that with respect to Recovery Act reports, the Municipality is currently implementing a new payroll and Enterprise Resource Planning (ERP) system, which it believes will ensure an accurate accounting of time for the Full Time Equivalent calculation. Anchorage further advised that, the hours not initially reported were reported in later reporting periods and maintains that the Recovery Act reports submitted were true and accurate to the general ledger at the time of reporting. As discussed in our report we found hours worked which were not recorded to the grant specific account for the period in which the work was performed. This resulted in erroneous reporting because the hours reported did not agree to the actual hours worked and funded for the period. Section 1512 of the Recovery Act requires that recipients of Recovery Act funds submit a report which includes the amount of recovery funds received that were expended or obligated to projects or activities. We understand this to mean that all funds expended within a given period must be reported within the same period. We have added language to the Recovery Act section of our report to reflect that amounts not initially reported were included in subsequent periods. However, as discussed in the Recovery Act section of our report, this contributed to discrepancies between the hours worked and hours reported for subsequent periods.

In its response, Anchorage did not specifically address our recommendation regarding accuracy of progress reports. As discussed in the Progress Reports section of our report, the progress reports submitted by Anchorage contained inaccuracies. Therefore, we recommended that OJP ensure that Anchorage establishes appropriate procedures and internal controls to make certain that it submits accurate progress reports.

This recommendation can be closed when we receive procedures implemented to ensure that Anchorage submits accurate progress reports and Recovery Act reports.

- 10. Resolved.** OJP concurred with our recommendation to ensure that Anchorage complies with the award requirement to provide an approved Equal Employment Opportunity (EEO) Plan to OJP's Office of Civil Rights. OJP stated in its response that it will coordinate with Anchorage to: (1) ensure that Anchorage provides a copy of an approved EEO Plan to OJP's Office of Civil Rights, and (2) obtain a copy of procedures implemented to ensure that approved EEO Plans are maintained and timely submitted. Anchorage stated that its most current EEO Plan from 2007 plan was provided to the OIG. As discussed in the Additional Award Requirements section of our report, we found that a more recent EEO plan from 2008, which was in effect through July 2, 2010. Additionally, we confirmed with OJP that OJP's Office of Civil Rights did not receive a more recent EEO Plan from Anchorage to cover dates subsequent to the expiration of the 2008 plan.

This recommendation can be closed when we receive: (1) evidence that an approved EEO Plan has been submitted to OJP's Office of Civil Rights, and (2) a copy of procedures implemented to ensure that approved EEO Plans are maintained and timely submitted.

- 11. Resolved.** OJP concurred with our recommendation to remedy the \$64,529 in federal grant funds that Anchorage spent on Zero Tolerance Project overtime expenditures that appeared to supplant, rather than supplement, local funds. OJP stated in its response that it will coordinate with Anchorage to remedy the \$64,529 in questioned costs. If Anchorage cannot provide adequate supporting documentation, OJP will request that Anchorage return the funds to the Department of Justice, adjust its accounting records to remove the costs, and submit a revised FFR.

Anchorage stated that it did not concur with this finding and the related recommendation; however, Anchorage agreed to remedy the \$64,529 in federal grant funds spent in support of the Zero Tolerance Project. Specifically, in its response, Anchorage stated that the decision to utilize the grant funds came after the budget was passed and the program funding was eliminated. Anchorage advised that the grant funds allowed the program to continue with minimal impact to the community.

As stated in our report, between 2008 and 2009, Anchorage reduced its expenditures for police officer overtime on the Zero Tolerance Project by 63 percent. However, during this same time period, Anchorage utilized 38 percent more in federal funding for police officer overtime on the Zero Tolerance Project. Given this reduction in local funds spent on police officer overtime and increased reliance on federal funding for this overtime, we found indications that Anchorage supplanted rather than supplemented local funds. Therefore, we questioned \$64,529 in federal grant funds that Anchorage spent on Zero Tolerance Project overtime. Even though Anchorage did not concur, it agreed to remedy the questioned costs.

This recommendation can be closed when OJP provides us: (1) its plan for how it will remedy the questioned costs, and (2) evidence that Anchorage has remedied the \$64,529 of questioned costs.

- 12. Resolved.** OJP concurred with our recommendation to ensure that Anchorage complies with the award requirement to properly utilize federal grant funds to supplement, and not replace, local funds for grant-related activities. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented to ensure that federal grant funds are used to supplement, and not replace, local funds for grant related activities. Anchorage stated that it understands the non-supplanting requirement and has always designed its grant projects to ensure compliance with the non-supplanting requirement. In recent years, Anchorage has experienced annual operating budget difficulties due to reduced return on investments and other local financial issues. Anchorage advised that these fiscal pressures generated budgetary reductions which made it difficult to temporarily restore funding to viable grant projects without the appearance of impropriety. Anchorage stated that it will continue to be cognizant of the non-supplanting requirement and ensure a certain balance is maintained to supplement local funds in all its grant related activities.

This recommendation can be closed when we receive a copy of procedures implemented to ensure that federal grant funds are used to supplement, and not replace, local funds for grant related activities.

- 13. Resolved.** OJP concurred with our recommendation to ensure that Anchorage collects and maintains performance measurement data, with corresponding support on its efforts to achieve the grant goals and objectives. OJP stated in its response that it will coordinate with Anchorage to obtain a copy of procedures implemented to ensure the

collection and maintenance of performance measurement data, with corresponding support on its efforts to achieve the grant goals and objectives. Anchorage stated that at its initiation, the Performance Management Tool was a bulky and cumbersome system with virtually no available support that resulted in early problems with recording accurate performance information. Anchorage also stated that it reported activities in accordance with the general ledger to most accurately reflect financial reporting. Anchorage indicated that it anticipates increased efficiency of performance reporting through the implementation of a new financial system in January 2013. As discussed in the Program Performance and Accomplishments section of our report the Grant Manager reported progress in achieving grant goals and objectives to OJP based on opinion and observations. Also, in our review of supporting documentation, we found that Anchorage did not gather or maintain data for 6 performance measures.

This recommendation can be closed when we receive: (1) Anchorage's new procedures to ensure the collection and maintenance of performance measurement data, with corresponding support on its efforts to achieve grant goals and objectives; and (2) evidence that the new financial system has been deployed along with a description of how it will ensure that adequate support is collected and maintained.