



**AUDIT OF THE OFFICE OF COMMUNITY ORIENTED
POLICING SERVICES AND OFFICE OF JUSTICE
PROGRAMS GRANTS AWARDED TO
THE CITY OF BOSTON, MASSACHUSETTS**

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Audit Division

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EXECUTIVE SUMMARY

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant, grant number 2009-RJ-WX-0049, and the Office of Justice Programs (OJP) Bureau of Justice Assistance Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG), grant number 2009-SB-B9-0241, awarded to the City of Boston, Massachusetts (Boston). Collectively, the grants totaled \$15,750,421. The general purpose of the grants was to preserve jobs, promote economic recovery, and increase crime prevention efforts. In addition, COPS awarded CHRP funding to increase community policing capacity and crime-prevention efforts and OJP awarded JAG funding to improve the effectiveness and efficiency of state and local criminal justice systems.

The objective of our audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed Boston's program performance in meeting the grants' objectives and overall accomplishments.

We reviewed Boston's compliance with key award conditions and found Boston generally met the terms and conditions of the awards governing most of the grant management areas we tested. However, we identified three findings related to the CHRP application, the indirect cost rate used for the JAG grant, and financial reporting.

These items are discussed in detail in the findings and recommendations section of the report. Our audit objectives, scope, and methodology appear in Appendix I.

We discussed the results of our audit with Boston officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft report from the City of Boston, COPS and OJP, and their responses are appended to this report as Appendices II, III and IV, respectively. Our analysis of all responses, as well as a summary of

actions necessary to close the recommendations can be found in Appendix V of this report.

TABLE OF CONTENTS

| | |
|---|-----------|
| INTRODUCTION | 1 |
| The Office of Community Oriented Policing Services..... | 1 |
| Office of Justice Programs..... | 2 |
| American Recovery and Reinvestment Act. | 2 |
| City of Boston | 3 |
| Our Audit Approach | 4 |
| | |
| FINDINGS AND RECOMMENDATIONS | 6 |
| Internal Control Environment | 6 |
| CHRP Application Statistics | 7 |
| Salary and Fringe Benefit Expenditures | 8 |
| Budget Management and Control..... | 10 |
| Indirect Costs | 12 |
| Reporting | 13 |
| Drawdowns..... | 15 |
| Compliance with Other Award Requirements | 16 |
| Program Performance and Accomplishments | 18 |
| Conclusion..... | 19 |
| Recommendations | 19 |
| | |
| APPENDIX I - OBJECTIVES, SCOPE, AND METHODOLOGY | 20 |
| | |
| APPENDIX II - CITY OF BOSTON RESPONSE TO THE DRAFT AUDIT REPORT | 22 |
| | |
| APPENDIX III - OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT | 25 |
| | |
| APPENDIX IV - OFFICE OF COMMUNITY ORIENTED POLICING SERVICES RESPONSE TO THE DRAFT AUDIT REPORT | 27 |
| | |
| APPENDIX V - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT | 29 |

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of two grants awarded as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act) to the city of Boston, Massachusetts (Boston). These grants were an Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant and an Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG), in the amounts of \$11,843,200 and \$3,907,221 respectively. The purpose of Boston's Recovery Act awards was to prevent the layoff of 98 police officers in an effort to preserve jobs, to increase Boston's community policing capacity and crime-prevention efforts, promote the city's community policing mission, and to reduce violence through critical enforcement, intervention and prevention efforts.

The objective of our audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also assessed Boston's program performance in meeting grant objectives and overall accomplishments. The following table shows the total funding for the grants.

COPS Hiring and OJP Recovery Act Grants Boston, Massachusetts

| GRANT NUMBER | START DATE | END DATE | AMOUNT |
|-----------------|------------|------------|---------------------|
| 2009-RJ-WX-0049 | 07/01/2009 | 06/30/2012 | \$11,843,200 |
| 2009-SB-B9-0241 | 03/01/2009 | 02/28/2013 | \$3,907,221 |
| TOTAL: | | | \$15,750,421 |

Source: COPS and OJP

The Office of Community Oriented Policing Services

The Office of Community Oriented Policing Services (COPS), within the Department of Justice, assists law enforcement agencies in enhancing public safety through the implementation of community policing strategies in jurisdictions of all sizes across the country. The COPS office provides funding to state, local, and tribal law enforcement agencies and other public and private entities to hire and train community policing professionals, acquire and deploy cutting-edge crime-fighting technologies, and develop and test innovative policing strategies.

Office of Justice Programs

The mission of the Office of Justice Programs (OJP) is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

Bureau of Justice Assistance

The mission of the Bureau of Justice Assistance (BJA), a component of OJP, is to provide leadership and services in grant administration and criminal justice policy development to support local, state, and tribal justice strategies to achieve safer communities. BJA has three primary components: Policy, Programs, and Planning. The Policy Office was established to provide national leadership in criminal justice policy, training, and technical assistance to further the administration of justice. It also acts as a liaison to national organizations that partner with BJA to set policy and help disseminate information on best and promising practices. The Programs Office works to coordinate and administer all state and local grant programs and acts as BJA's direct line of communication to states, territories, and tribal governments by providing assistance and coordinating resources. The Planning Office works to coordinate the planning, communications, and budget formulation and execution, and provide overall BJA-wide coordination.

American Recovery and Reinvestment Act

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (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 approximately \$4 billion to the Department of Justice in grant funding to be used to enhance state, local, and tribal law enforcement efforts. Of these funds, \$1 billion was provided to the COPS

Office for grants to state, local, and tribal governments to hire or retain police officers. Another \$2 billion was provided to OJP for Byrne JAG grants.

COPS Hiring Recovery Program Grant

To distribute the Recovery Act money, COPS established the COPS Hiring Recovery Program (CHRP), a grant program for the hiring, rehiring, and retention of career law enforcement officers. COPS created CHRP to provide 100 percent of the funding for approved entry-level salaries and benefits (for 3 years) for newly-hired, full-time sworn officer positions, for rehired officers who had been laid off, or for officers who were scheduled to be laid off on a future date. COPS received 7,272 applications requesting funding for approximately 39,000 officer positions. On July 28, 2009, COPS announced its selection of 1,046 law enforcement agencies as recipients of the \$1 billion CHRP funding to hire, rehire, and retain 4,699 officers. The grants were competitively awarded based on data submitted by each applicant related to fiscal and economic conditions, rates of crime, and community policing activities.

Office of Justice Programs Byrne Memorial Justice Assistance Grant

The Byrne JAG (JAG) program is the primary provider of federal criminal justice funding to state and local jurisdictions. Recovery Act JAG funds supported all components of the criminal justice system, from multi-jurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. These JAG grants funded projects to address crime by providing services to individuals and communities, and the projects were designed to improve the effectiveness and efficiency of state and local criminal justice systems. OJP awarded these Recovery Act JAG grants based on a state's share of the national population as well as the state's share of violent crime statistics. Local governments received direct funding that was based on the local government's share of total violent crime within their state.

City of Boston

Boston is both the largest city and the capital of the Commonwealth of Massachusetts. Boston has become the cultural and economic hub for the New England region. The Commonwealth of Massachusetts provides the city its second largest source of revenue and in Fiscal Year (FY) 2012 the city experienced its fourth year of reduced funding from the Commonwealth. The Boston Police Department is included in the city's Public Safety Department and includes over 2,000 sworn officers. A number of officers

are deployed in Project Safe Street Teams, a law enforcement initiative designed to focus Community Policing efforts on 14 of the city's highest crime areas.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the award. Unless otherwise stated in our report, the criteria we audit against were contained in Code of Federal Regulations: 28 CFR § 66, the 2009 CHRP Grant Owner's Manual, the Uniform Administrative Requirements for Grants, the OJP Financial Guide, and the specific terms and conditions of each grant award. We tested Boston's:

- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard award funds and ensure compliance with the terms and conditions of the awards.
- **CHRP application statistics** to assess the accuracy of key statistical data that the grantee submitted with its CHRP application.
- **Salary and fringe benefit expenditures** to determine whether the salaries and fringe benefits charged to the awards were allowable, supported, and accurate.
- **Budget management and control** to determine whether Boston adhered to the COPS and OJP-approved budgets for the expenditure of grant funds.
- **Indirect costs** to determine Boston's procedures and charges related to indirect costs.
- **Reporting** to determine if the required periodic Federal Financial Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflected award activity.
- **Drawdowns (request for grant funding)** to determine whether requests for reimbursements were adequately supported and if Boston managed grant receipts in accordance with federal requirements.
- **Compliance with other award conditions** to determine whether Boston complied the terms and conditions of the grants.

- **Program performance and accomplishments** to determine whether the Boston achieved grant objectives and to assess performance and grant accomplishments.

When applicable, we also test for compliance in the areas of matching funds, accountable property, monitoring subcontractors, and program income. For these grants, matching funds were not required and there was no accountable property, subcontractors, or program income.

FINDINGS AND RECOMMENDATIONS

We determined that Boston generally complied with the terms and conditions of the Recovery Act CHRP and JAG grants governing most of the grant management areas we tested. However, we found (1) the CHRP application contained inaccurate data that could have impacted the city's award; (2) the indirect cost rate used by Boston in its application and approved by OJP was inaccurate; and (3) Boston did not properly report the indirect costs on the Federal Financial Report when expended. These conditions, including the underlying causes and potential effects on both grants, are discussed in the body of the report.

Internal Control Environment

Our audit included a review of Boston's accounting and financial management system and Single Audit Reports to assess the risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grant awards. We also interviewed management staff from the organization and performed salary and benefit testing to further assess risk.

According to the OJP Financial guide grant recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost and property controls to ensure optimal use of funds.

Officials told us they believed an adequate system of internal controls was in place. However, our review of the Recovery Act requirements and indirect costs indicated improvements can be made in the Boston's system of internal controls. These internal control deficiencies are discussed in detail in the body of the report.

Financial Management System

The Code of Federal Regulations requires recipients to maintain records to adequately identify the source and application of grant funds provided for financially supported activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

We found that Boston maintained these records in two separate accounts, one for the CHRP grant and another for the JAG grant. We determined that the two accounts tracked obligations, outlays, and expenditures allocated to each project.

Single Audits

We reviewed Boston's Single Audit Reports for FY 2009 and 2010 and found no audit findings related to either the CHRP or the JAG grant.

CHRP Application Statistics

To select CHRP grantees, COPS developed a methodology that scored and ranked applicants based on data related to their fiscal and economic conditions, rates of crime, and community policing activities. In general, the applicants experiencing more fiscal and economic distress, exhibiting higher crime rates, and demonstrating well-established community policing plans received higher scores and were more likely to receive a grant. While COPS performed some limited data validity checks, COPS relied heavily on the accuracy of the data submitted by grant applicants. In the CHRP Application Guide, COPS reminded applicant agencies to provide accurate agency information as this information may be used, along with other data collected, to determine funding eligibility. In our May 2010 report of the COPS grant selection process, we found that the validation process COPS used to ensure the accuracy of the crime data submitted by applicants was inadequate¹. As a result, some agencies may have received grant funds based on inaccurate applications. However, we were unable to determine the number of applications that included inaccurate data.

During this audit, we obtained documentation from Boston to support the information it submitted to COPS to secure the 2009 CHRP grant and we found an inaccuracy in the information submitted in the CHRP application. Specifically, we found an inaccuracy in the application data regarding the number of aggravated assaults, with a difference of 7,389 incidents from the actual figure. According to the Boston officials, the figure for simple assaults was incorrectly included in the aggravated assault category, inflating the number of aggravated assaults. Because the application information was used to determine the grantee's eligibility to receive the grant, we performed a sensitivity analysis using COPS' methodology. The purpose for the sensitivity analysis was to examine whether the changes made to the

¹ U.S. Department of Justice Office of the Inspector General, A Review of the Selection Process for the COPS Hiring Recovery Program, Audit Report 10-25, (May 2010).

application data were significant enough to affect the Boston's eligibility to receive the grant. We found that the corrected data did not affect Boston's chances of receiving the grant and the award would have been maintained using the corrected audited data.

Because the data that grantees submit are relied upon to award substantial grants, we believe it is vital that grantees ensure that the data and information submitted to awarding agencies is accurate. In this case, Boston's inaccurate application data did not significantly affect the suitability of its award. Nonetheless, future inaccurate data may have a substantial effect on award decisions. As a result, we recommend that Boston establishes procedures to ensure it submits accurate information for its future grant applications.

Salary and Fringe Benefit Expenditures

We found that Boston correctly ensured that it only charged the entry-level salary approved in the CHRP budget for each grant-funded officer. Boston also properly charged fringe benefits that were approved in the CHRP grant. In addition, Boston correctly charged the salaries of officers funded through the JAG grant.

We tested a judgmental sample of Boston's salary and fringe benefit expenditures to determine if they were allowable, supportable, and accurate. To determine if expenditures were allowable, we compared the expenditures to approved expenditures incorporated in the terms and conditions of the grants. To determine if expenditures were supported and accurate, we tested salary and benefit expenditures by evaluating the allocation of salaries and benefits based on the requirements identified by COPS and OJP in the respective award documents. We examined officer payroll records for 14 of the 98 grant funded officers for two non-consecutive pay periods and we tested accounting records supporting salary and fringe benefit expenditures for one year of the COPS grant and salary expenditures for one year of the JAG grant.

COPS Hiring Recovery Program Grant

According to the CHRP grant application and award documentation, the CHRP grants were intended to provide 100 percent funding for the approved entry-level salaries and fringe benefits of full-time sworn career law enforcement officers. In cases where the officer's salary and fringe benefits exceeded that of entry-level officers, the additional costs were/are the responsibility of the grantee.

We found Boston officials segregated grant-funded expenditures into separate accounts. Within the accounts officials verified the salary and benefits paid to each officer on a weekly basis. Because an officer's total salary, not the required entry-level salary, was initially reported in the accounting system, Boston established additional segregated accounting codes to reduce the total salary reported to the approved entry-level salary. For example, Boston removed an officer's overtime payments from the grant account. To ensure only entry-level salaries were charged to the grant, at the end of each year, Boston reconciled the accounting codes by deducting all salary expenditures above the entry-level from the total salary reported in the accounting system. The results of this reconciliation reduced the total salaries initially reported in the accounting system to the grant-approved entry-level salary.

Boston received an approved benefit rate of 26.49 percent in its award document. In the segregated accounting records Boston again established separate accounting codes to ensure only approved benefits were reported in the account. At the end of each year Boston reconciled the total actual benefits reported in the accounting system to ensure they did not exceed the approved benefit rate of 26.49 percent.

We determined Boston's methodology was accurate by comparing the first year salary and benefit expenditures officials reported in the accounting records to the salary and benefit expenditures we calculated using Boston's methodology.

In addition to verifying accounting records we reviewed payroll records and personnel files to ensure: (1) weekly payrolls were accurately recorded in the accounting system, (2) supervisors reviewed and approved the officer's timesheets, and (3) grant funded officers were eligible for benefits.

Based on our review of payroll records, personnel files, and our verification of Boston's accounting methodology we concluded that Boston officials met the terms and conditions of the grant for accurately accounting for CRRP salary and benefit expenditures.

Office of Justice Programs Byrne Memorial Justice Assistance Grant

The JAG grant initially provided Boston with a formula based grant to provide salary and fringe benefits for 48 officers and indirect costs for one year. Subsequently, Boston received approval from OJP to modify the initial award budget to delete fringe benefit funding and include only one year of officer salary funding. Boston then followed a similar methodology to the one described above to track and charge the salaries to the grant. However,

for the JAG grant Boston was allowed to charge the actual salaries paid to each individual. We found evidence that unallowable costs such as overtime were segregated from the officer's total salary and removed from the total expenditures requested for reimbursement. We also verified weekly payrolls were accurately recorded in the accounting system and that the supervisors approved the time sheets tested.

Based on our review of payroll records, personnel files, and our verification of Boston's accounting methodology we concluded that Boston officials met the terms and conditions of the JAG grant for accurately reporting salary expenditures.

Budget Management and Control

Criteria established in 28 C.F.R § 30 addresses budget controls surrounding grantee financial management system. According to the C.F.R., grantees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, the movement of funds between approved budget categories in excess of 10 percent of the total award must be approved in advance by the awarding agency. Budget management controls ensure federal funds are not exposed to unauthorized expenses, misuse, and waste.

COPS approved an itemized budget for the CHRP grant that included budget categories for salary and fringe benefits. In their application for JAG funding city officials included a budget with expenditures for sworn officer salaries and indirect costs. While the CHRP grant was still in progress at the time of our audit, Boston appeared to remain within the approved budget allowance for each category for this grant. Boston also remained within the approved budget allowance for the completed JAG grant.

COPS Hiring Recovery Program Grant

The CHRP approved budget was based on the first year officer base salary for 2008, \$54,147 and Boston's benefit rate of 26.49 percent. Boston's methodology to account for grant expenditures included segregated accounts to track expenditures during the year and, at the end of each year, a reconciliation to ensure only approved expenditures were charged to the grant. Boston followed a similar methodology to maintain expenditures within the required budget categories. We found that during the year-end reconciliation of grant expenditures Boston included a step to compare actual expenditures to the grant's approved budget categories.

We compared the first year of grant expenditures from the city's accounting records to the expenditures COPS approved in the Financial Clearance Memorandum and found that the city remained within the allowed 10 percent deviation range for the grant budget.

We also noted that first year fringe benefit expenditures accrued at a rate below planned. This occurred because the approved fringe benefit consisted of three elements: (1) health, (2) retirement, and (3) Medicare. The retirement and Medicare components are predictable because they accrue at a fixed rate – 9.00 percent and 1.45 percent, respectively. However, the benefit component – 16.04 percent – is less predictable because it is dependent on the number of officers who select health benefits as well as the type of health benefits they select. Thus, the unpredictability of the expenditure caused health benefit expenditures to accrue at a rate well below planned.

We asked Boston officials about the potential for fringe benefit funding that could remain unspent at the end of the grant. Officials told us that during the first year of the award they did not record benefit expenditures during the first six pay periods because they were developing the fringe benefit accounting codes required to track those expenditures. As a result, they plan to request funding for the initial benefit expenditures during their final reconciliation of grant expenditures. They also plan to submit a budget modification to COPS to request the reallocation of any unspent fringe benefit expenditures.

Because officials used Boston's approved fringe benefit rate to establish their benefit budget line item, and because expenditures remained within the ten percent total award allowable deviation, we concluded the city met the terms and conditions of the award.

Office of Justice Programs Byrne Memorial Justice Assistance Grant

In order to track grant expenditures and meet the terms and conditions of the JAG grant, Boston included a projected budget in their application based on actual officer salaries and indirect costs. We reviewed accounting records and found officials used the same methodology described in the previous section of the report to determine grant funded salary expenditures. They also made one indirect cost charge to the award that equaled their budgeted amount. We concluded that Boston met the terms and conditions of the JAG grant.

Indirect Costs

Indirect costs are the costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. The cost of operating and maintaining facilities, depreciation, and administrative salaries are examples of the types of costs that are usually treated as indirect costs. According to the JAG grant application, indirect costs were only allowed if the applicant had a federally approved indirect cost rate and documentation for the rate was provided by the applicant. Indirect costs were included in Boston's JAG grant but not in the CHRP grant. Boston's approved indirect cost rate equaled 5.9 percent of direct cost award funding.

As the JAG grant was a formula grant based on crime data, Boston was designated by OJP to receive the total award amount of \$3,907,221 for the grant. Boston then allocated their budget accordingly so that the direct costs plus the indirect costs equaled the total grant award. However, we found that Boston miscalculated its indirect costs in its grant application, causing the direct costs and indirect costs to be incorrect in Boston's project budget. In its grant application, Boston applied its approved 5.9 percent rate to the total grant award of \$3,907,221 instead of applying it only to a direct cost amount so that the indirect costs plus the direct costs equaled the total award amount. As a result, Boston budgeted \$230,427 for indirect costs, which totaled 6.2 percent of the total grant funding, rather than \$217,683, which would have represented 5.9 percent of the direct costs.

Budget Using Boston's Approved Indirect Cost Rate

| DESCRIPTION | DIRECT COSTS | INDIRECT COSTS | PERCENTAGE | TOTAL AWARD |
|--|--------------|----------------|------------|-------------|
| APPROVED BUDGET | \$3,676,794 | \$230,427 | 6.2 | \$3,907,221 |
| BUDGET USING APPROVED INDIRECT COST RATE | \$3,689,538 | \$217,683 | 5.9 | \$3,907,221 |

During our audit, Boston officials provided support for one indirect cost expenditure charged to the grant totaling \$230,427 based on the incorrect calculation used in the grant application. While the rate amount of indirect costs charged to the grant technically exceeded the approved rate, Boston remained within the budget provided and approved by OJP.

Boston officials acknowledged that they used an inaccurate indirect cost rate in their application for funding. We concluded Boston should

improve its internal control process to ensure award applications reflect accurate indirect cost rates, and OJP should ensure such indirect costs are correctly calculated.

Reporting

Federal Financial Reports

The financial aspects of the grants are monitored through Federal Financial Reports (FFRs). FFRs are designed to describe the status of grant funds and should be submitted within 30 days of the end of the most recent quarterly reporting period. For periods when there have been no program outlays, a report to that effect must be submitted. Funds for the current award or future awards may be withheld if reports are not submitted or are excessively late.

Boston officials told us they completed FFRs using the accounting codes established for each grant. We sampled six CHRP grant FFRs between July 2009 and March 2011. We concluded the six reports tested were accurate because each project's total expenditures reported in the FFR agreed with the totals reported in Boston's accounting records. We also tested each FFR for timeliness using the criteria noted above and we found officials submitted each FFR timely. Because each of the FFRs we tested was accurate and submitted in a timely manner, we concluded officials met the financial reporting standards for the CHRP grant.

For the JAG grant we tested five FFRs that covered financial activity between April 2010 and June 2011. We found officials submitted each FFR timely. However, we determined the FFR for the July to September 2010 report period did not report indirect costs as required by the FFR instructions. While the total federal expenditures reported for this period included indirect costs, Boston did not report indirect costs separately in the appropriate section of the report. These indirect costs were not reported until we brought the omission to Boston's attention. Timely reporting of these indirect costs may have resulted in the earlier discovery of the inaccurate indirect cost calculation discussed in the Indirect Cost section of this report.

Progress Reports

COPS established a quarterly requirement for CHRP progress reports. The reporting requirements included a survey that required recipients to report the number of jobs created or saved by grant funding and a self-assessment of the recipient's progress toward meeting its community

policing goals. COPS did not require the recipients to maintain documentation to support their self-assessment of community policing goals. We sampled the last four progress reports and found Boston submitted each progress report within the required time period specified by COPS. In addition, each report included all of the required reporting elements. We concluded that Boston met the progress reporting requirement.

The OJP Financial Guide established an annual progress reporting requirement for JAG grants. The reports were due no later than December 31st of each year. We reviewed two of the three JAG progress reports Boston submitted, covering the periods ending in December 2011 and December 2012, and found Boston submitted each progress report within the required time period specified by the OJP Financial Guide. The reports included: (1) statistics relevant to the number of uniformed officers retained with grant funding, (2) crime statistics that officials believed were impacted by the grant, (3) information regarding the city's Safe Streets Initiative.²

Recovery Act Reports

In addition to normal reporting requirements, grantees receiving Recovery Act funding are required to submit quarterly reports which include both financial and programmatic data. The Recovery Act requires recipients to submit their reporting data through FederalReporting.gov, an online web portal that collects all the reports. Recipients must enter their data no later than the 10th of the month after each quarter beginning September 30, 2009.

Boston was responsible for submitting nine CHRP and nine JAG Recovery Act reports during the period of review. We examined six quarterly reports and we found the reports included the required elements. We found officials submitted 5 of the 6 reports in a timely manner. One JAG report was submitted 11 days late but we did not consider this to be significant.

Because Boston officials generally submitted each of the reports we tested within the required timeframe and because the reports included all of the required performance elements, we concluded that Boston met the reporting requirements.

² The city's Safe Streets program focuses on problem areas in the city and places officers trained in problem solving in high risk communities. The program is designed to engage the community, to solve daily crime problems, and to provide intervention services and referrals.

Drawdowns

Drawdown is a term to describe when a recipient requests funding for expenditures associated with a grant program. The OJP Financial Guide establishes the methods by which DOJ makes payments to grantees. Advances are allowed but non-formula grant funding must be used within 10 days of the transfer. To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed grant officials and reviewed documentation supporting the actual expenditures. We determined grant funds were requested on a reimbursement basis in all instances. In addition, we determined drawdowns were requested based on actual expenditures and did not exceed grant expenditures.

COPS Hiring Recovery Program Grant

At the time of our field work Boston had drawn down \$6,084,491 of the \$11,843,200 total award. We examined seven drawdowns made between March 2010 and August 2011. Boston used the segregated accounting code for the CHRP grant to establish the amount of funding requested for each drawdown. Because the grant funded only entry-level salaries, Boston recognized that their methodology of reporting actual officer salaries and periodically reconciling those expenditures could cause the drawdowns to exceed the approved expenditures. To address this, Boston consistently drew down less than the total expenditures reported by the accounting records. For example to support the August 2011 cumulative drawdown \$6,084,491, Boston provided accounting records supporting \$6,367,213 of expenditures – a difference of \$282,273.

Because Boston could support their drawdown requests with accounting records and because they addressed the potential for advanced payments, we concluded Boston met the drawdown requirements related to the CHRP grant.

Office of Justice Programs Byrne Memorial Justice Assistance Grant

At the time of our field work, Boston had drawn down the entire \$3,907,211 JAG grant. We examined seven drawdowns Boston made between November 2009 and August 2011. Boston used the same methodology described in the preceding section to determine the JAG drawdown amounts. While Boston incorrectly calculated the indirect costs associated with this grant, they were able to provide accounting records to support the cumulative drawdown of \$3,907,221

Because Boston could support their drawdown requests with accounting records, we concluded they met the drawdown terms and conditions of the JAG grant.

Compliance with Other Award Requirements

Award requirements are included in the terms and conditions of a grant and special conditions may be added to address special provisions unique to an award. To ensure job growth or job preservation, the Recovery Act stipulated that funds from both grants should be used to supplement existing funding and not supplant, or replace, funding already appropriated for the same purpose. The CHRP grant also required recipients to plan to retain all sworn officer positions funded by the award for one year after the grant ended. Our analysis showed that Boston adhered to the award requirements for the CHRP and JAG grants.

Supplanting Analysis

During our audit, we completed an analysis of the number of jobs Boston preserved with Recovery Act funding through the grants, examining the potential for supplanting.

Boston received CHRP funding to retain 50 existing full-time uniformed officer positions who would have been laid off as a result of events unrelated to receiving federal funding. Boston received JAG grant funding to retain an additional 48 officers. To support their applications for funding, Boston officials provided budget documents that indicated they planned to layoff uniformed officers if they did not receive the Recovery Act funding.

To eliminate the potential for supplanting after a recipient receives funding, the recipient is expected to maintain its local budget for sworn officers during and after the period of the grant. Since both of the grants were active at the time of our field work, we examined the Boston Police Department's budget and the number of sworn officers or full-time equivalents (FTEs) during the 2008-2011 budget years.

**Boston Police Department
Fiscal Years 2008 to 2011
Total Budget and Fulltime Equivalents**

| FISCAL YEAR | TOTAL BUDGET | PLANNED FTEs | ACTUAL FTEs |
|--------------------|---------------------|---------------------|--------------------|
| 2008 | \$270,693,354 | 2,235 | 2,228 |
| 2009 | \$284,880,077 | 2,235 | 2,225 |
| 2010 | \$270,874,945 | 2,170 | 2,173 |
| 2011 | \$270,874,944 | 2,170 | 2,181 |

Source: Boston Police Department

As the table above demonstrates, beginning in 2010, Boston decreased its police department budget by over \$14 million and reduced the planned number of FTEs by 65 officers. However, although the non-supplanting requirement prohibits a recipient from reducing its sworn officer budget after receiving a grant, federal regulations provide an exception to the requirement if the recipient can demonstrate the reduction occurred for reasons unrelated to grant funding.

In April 2010, Boston received approval from COPS for an exception to the supplanting rule because the reduction was unrelated to the receipt of grant funding. We reviewed budget documents and found the reduction in both the city's police department budget and sworn officer strength resulted from reductions in funding provided by the Commonwealth of Massachusetts, not the receipt of grant funding. As a result, we concur with COPS' decision to provide the exception. Based on our review of budget documents and sworn officer strength, we concluded the city met the award's non-supplanting requirement.

Retention Planning

At the end of the grant recipients are expected to retain grant funded officers by adding local funds to their projected budgets. The number officers retained should be over and above the number of positions that would have existed in the absence of the grant.

Officials told us they were aware of the requirement to retain grant funded officers with local funding. Since the grant has not ended we

reviewed both the 2011 and FY 2012 department budgets and found the city included local funding to retain the grant funded officers.

Program Performance and Accomplishments

Both the CHRP and the JAG grants included an objective to preserve uniformed officer jobs that would have been eliminated if Boston did not receive grant funding, based on the job preservation objective contained within the Recovery Act. In addition, the CHRP grant also included an objective to enhance Community Policing and the JAG grant included similar objectives related to neighborhood foot patrols and rapid response to emergency situations.

As we noted earlier in the report, the city received CHRP and JAG funding to preserve 50 and 48 uniformed officer jobs, respectively. Our analysis of the potential for supplanting confirmed that the city preserved the 98 uniformed officer jobs that would have been eliminated in the absence of grant funding.

In the CHRP Application Guide, COPS identified the methods for measuring a grantee's performance in meeting the CHRP grant objectives. According to COPS there were two objectives for the CHRP grant: (1) to increase the capacity of law enforcement agencies to implement community policing strategies that strengthen partnerships for safer communities and enhance law enforcement's capacity to prevent, solve, and control crime through funding additional officers, and (2) to create and preserve law enforcement officer jobs. Quarterly progress reports describe how CHRP funding was being used to assist the grantee in implementing its community policing strategies and detailing hiring and rehiring efforts were to be the data source for measuring performance. However, COPS did not require grantees to track statistics to respond to performance measure questions in the progress reports. In addition, the grantee's community policing implementation rating, contained in the progress report, would not be used in determining grant compliance.

We interviewed officials, reviewed progress reports, and budget documents and found evidence of community policing related activities. For example, Boston's Safe Street Teams Initiative targets the city's highest risk places and individuals to maximize the officer's impact on crime. Officers assigned to these high risk areas are trained to solve daily crime-related problems, to engage with community members, and to provide intervention services and referrals. Officials reported positive community feedback and calls to expand the initiative by increasing the number teams. Officials also

indicated the initiative contributed to a reduction in crime in the targeted neighborhoods.

Conclusion

We found Boston generally met the terms and conditions for the CHRP and JAG grants we reviewed governing most of the grant management areas we tested. Specifically, Boston utilized grant funds for the purposes of the grants, to retain officer positions, appropriately managed and used those funds, and demonstrated that the positions funded by the grants would be retained in the future.

However, we found inaccuracies in Boston's indirect cost calculation for the JAG grant, its FFR reporting for the JAG grant, and its CHRP grant application. As a result, we make three recommendations to address these findings.

Recommendations

We recommend that OJP:

1. Ensure Boston computes its indirect costs correctly.
2. Ensure Boston completes the Federal Financial Reports accurately.

We recommend that COPS:

3. Ensure Boston develops internal control procedures to accurately report Recovery Act application statistics.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of the audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment, (2) CHRP application statistics, (3) salary and fringe benefit expenditures, (4) budget management and controls, (5) indirect costs, (6) reporting, (7) drawdowns, (8) compliance with other award requirements, and (9) program performance and accomplishments.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We audited a total of \$15,750,421 provided through an Office of Community Oriented Policing Services Hiring Recovery Program Grant and an Office of Justice Programs, Bureau of Justice Assistance FY 2009 Recovery Act Edward Byrne Memorial Justice Assistance Grant awarded to the City of Boston, Massachusetts. Our audit concentrated on, but was not limited to the initial award of the JAG grant in May 2009, through the end of our field work in January 2012.

We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are contained in the Code of Federal Regulations: 28 CFR § 66, Uniform Administrative Requirements for Grants, the Office of Justice Programs Financial Guide, and the award documents. We also reviewed Boston's most recent Single Audits for the periods ending in June 2009 and June 2010 and identified no findings that could impact the grant funding we audited. In addition, both COPS and OJP conducted site visits and we identified no significant findings that could impact the scope or methodology for our audit.

In conducting our audit, we tested the Boston's award activities in the following areas: internal controls, salary and fringe benefit expenditures, budget management and controls, indirect costs, reporting, drawdowns, program performance and accomplishments, and retention planning. In

addition, we reviewed the internal controls of the city's financial management system specific to the management of DOJ funds during the award period under review. However, we did not test the reliability of the financial management system as a whole. We also performed limited tests of source documents to assess the accuracy and completeness of reimbursement requests and Federal Financial Reports.

CITY OF BOSTON RESPONSE TO THE DRAFT AUDIT REPORT



Office of the Police Commissioner

1 Schroeder Plaza, Boston, MA 02120-2014

October 9, 2012

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street, Suite 201
Philadelphia, PA 19106

Re: Boston Police Department's written response to the draft audit report relative to the following two grants awarded to the City of Boston/Boston Police Department under the American Recovery and Reinvestment Act of 2009;

- Community Oriented Policing Services (COPS) Hiring grant award number 2009-RJ-WX-0049.
- Office of Justice Programs (OJP)-Edward Byrne Memorial Justice Assistance Grant (JAG) Formula Program: Local Solicitation award number 2009-SB-B9-0241.

Dear Mr. Puerzer,

On behalf of the Boston Police Department (BPD), please accept this letter as an official response to the draft audit report of the above referenced grants dated September 25, 2012. I have provided a response below in the same order in which the recommendations appear on page 19 of the draft audit report.

Office of Justice Programs grant award number 2009-SB-B9-0241

Recommendation #1-Ensure Boston computes its indirect costs correctly

This recommendation was based on an error that occurred as a result of Boston miscalculating its indirect costs using the total grant award amount and not on the allowable direct cost amount.

The BPD concurs with this recommendation and has already taken the necessary steps to correct the indirect cost error.

1. The department completed and submitted a revised Federal Financial Report reflecting the corrected figures (Attachment #1).
2. Initiated a comprehensive review of all pending applications and current grants to ensure indirect costs are properly calculated and accurately reported. Expected completion date for this review is October 31, 2012.
3. Created and implementing as of October 15, 2012, a formal protocol to ensure that indirect costs are correctly calculated when submitting future grant applications to DOJ, and also ensuring that indirect costs expenditures are reported on a quarterly basis (Attachment #2).

Page Two

Recommendation #2-Ensure Boston completes the Federal Financial Reports accurately.

This recommendation was based on an error that was discovered in the July to September 2010 quarterly Federal Financial Status report. Boston correctly reported the indirect cost expenditures in this report, but mistakenly did not separately report these indirect costs expenditures in the appropriate section on the bottom half of the Federal Financial Report.

The BPD concurs with this recommendation and has put in place the following protocol to ensure that the indirect costs are properly displayed in the appropriate section of all Federal Financial Reports.

1. Created and implementing as of October 15, 2012, formal protocol to ensure that indirect costs are accurately calculated and properly displayed in the appropriate section of the Federal Financial Report (Attachment #2).

Community Oriented Policing Services grant award # 2009-RJ-WX-0049

Recommendation #3 -Ensure Boston develops internal control procedures to accurately report Recovery Act application statistical data.

This recommendation was based on an error that was discovered relative to the assault numbers that were supplied in the grant application. Boston mistakenly included the number of simple assaults with the number of aggravated assaults.

The Office of the Inspector General used COPS' methodology to perform a sensitivity analysis to examine whether the changes made to the application data were significant enough to affect Boston's eligibility to receive the grant. The results showed that the corrected data did not impact the grant award to the city of Boston. The report also stated that Boston's inaccurate application data did not significantly affect the suitability of its award.

The BPD concurs with this recommendation and has put the following protocol in place to ensure statistical data reported in all grant applications is correct.

1. Created and implementing as of October 15, 2012, a formal protocol that will enhance the review and approval of statistical data prior to grant submission (Attachment #2).

In closing, I would like to take this opportunity to thank the Department of Justice for their continued support. These and other DOJ grants allow the City and the Department the ability to keep officers on the street to continue our commitment of community policing and also provide much needed services related to Violence Prevention, Reentry, Domestic Violence Advocacy, Forensics and Technology.

Page Three

The BPD fully understands that all of the information enclosed in the final audit report and this response will be released to the public and be available for review at www.justice.gov/oig.

Sincerely,



Edward F. Davis
Police Commissioner

cc: Linda Taylor
Lead Auditor, Audit Control Branch
Audit and Review Division
Office of Audit, Assessment, and Management
Office of Justice Programs

Lashon Hilliard
Management Analyst
Office of Community Oriented Policing Services

OFFICE OF JUSTICE PROGRAMS RESPONSE
TO THE DRAFT AUDIT REPORT



U.S. Department of Justice



Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

OCT 25 2012

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

FROM:  Maureen A. Henneberg 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of
Community Oriented Policing Services and Office of Justice
Programs Grants Awarded to the City of Boston, Massachusetts*

This memorandum is in response to your correspondence, dated September 25, 2012, transmitting the subject draft audit report for the City of Boston, Massachusetts (Boston). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **three** recommendations and **no** questioned costs, of which two recommendations are directed to the Office of Justice Programs (OJP), and one recommendation is directed to the Office of Community Oriented Policing Services. The following is an analysis of the draft audit report recommendations directed to OJP. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP ensure that Boston computes its indirect costs correctly.**

We agree with the recommendation. We will coordinate with Boston to obtain a copy of procedures implemented to ensure that indirect costs are correctly computed.

2. **We recommend that OJP ensure that Boston completes the Federal Financial Reports accurately.**

We agree with the recommendation. We will coordinate with Boston to obtain a copy of procedures implemented to ensure that Federal Financial Reports are accurately completed.

Thomas O. Puerzer, Regional Audit Manager, Philadelphia Regional Audit Office

October 16, 2012

Page | 2

cc: Thomas O. Puerzer (copy provided electronically)
Regional Audit Manager
Office of the Inspector General
Chicago Regional Audit Office

Louise H. Duhamel, Ph. D (copy provided electronically)
Acting Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

Marcia O. Samuels-Campbell (copy provided electronically)
Acting Deputy Director for Operations
Audit Liaison Division
Office of Community Oriented Policing Services (COPS)

Martha Viterito (copy provided electronically)
Audit Liaison
COPS Audit Liaison Division

Audit File Copy
ORI: MA01301

OFFICE OF COMMUNITY ORIENTED POLICING SERVICES
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. DEPARTMENT OF JUSTICE
OFFICE OF COMMUNITY ORIENTED POLICING SERVICES
Grant Operations Directorate/Audit Liaison Division
145 N Street, N.E., Washington, DC 20530

COPS

MEMORANDUM

Via E-Mail

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

From: Lashon M. Hilliard 
Management Analyst
COPS Audit Liaison Division

Date: October 16, 2012

Subject: Response to the Draft Audit Report for the Hiring Recovery Program (CHRP)
Grant to the Boston Police Department, Boston, Massachusetts
COPS CHRP Grant 2009RJWX0049

This memorandum is in response to your draft audit report, dated September 25, 2012, for the Boston Police Department (BPD), Boston, MA. For ease of review, each audit recommendation is stated in bold and underlined, followed by COPS' response to the recommendation.

Recommendation 3: Ensure Boston develops internal control procedures to accurately report Recovery Act application statistical data.

COPS concurs that BPD should develop internal control procedures to accurately report Recovery Act application statistical data.

Discussion and Completed Action(s):

After review of your report and the grantee's response, BPD created and implemented Protocols for the BPD's Grants Management Manual (effective date October 15, 2012), which is designed to enhance the review and approval of statistical data prior to grant submission.

Request

Based on the discussion and completed actions, COPS requests closure of Recommendation 3, COPS only audit finding.

Thomas O. Puerzer, Regional Audit Manager, Philadelphia Regional Audit Office
October 16, 2012

Page | 2

cc: Thomas O. Puerzer (copy provided electronically)
Regional Audit Manager
Office of the Inspector General
Chicago Regional Audit Office

Louise H. Duhamel, Ph. D (copy provided electronically)
Acting Assistant Director, Audit Liaison Group
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Martha Viterito (copy provided electronically)
Audit Liaison
COPS Audit Liaison Division

Audit File Copy
ORI: MA01301

**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 the Boston Police Department (Boston), the Office of Justice Programs (OJP), and the Office of Community Oriented Policing Services (COPS) for review and comment. Boston's response is included as Appendix II of this final report, the OJP response is included as Appendix III and the COPS response is included as Appendix IV. The following provides the OIG analysis of the responses. Based on the OIG's analysis of the responses, this audit report is issued closed.

Recommendation Number

1. **Closed.** Boston and OJP concurred with our recommendation to ensure Boston computes its indirect costs accurately.

In its response, Boston provided a new protocol designed to ensure indirect costs are accurately calculated and reported.

This recommendation is closed.

2. **Closed.** Boston and OJP concurred with our recommendation to ensure Boston completes its Federal Financial Reports accurately.

In its response, Boston provided a new protocol designed to ensure indirect costs are accurately calculated and reported in the Federal Financial Reports.

This recommendation is closed.

3. **Closed.** Boston and COPS concurred with our recommendation to ensure Boston establishes internal control procedures to verify that it submits accurate Recovery Act statistical data.

In its response, Boston provided a new protocol designed to enhance the review and approval of statistical data prior to the submission of its grant applications.

This recommendation is closed.