



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE
GRANTS AWARDED TO
THE CITY OF PASSAIC, NEW JERSEY**

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

Audit Report GR-70-13-009
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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANTS AWARDED TO THE CITY OF PASSAIC, NEW JERSEY

EXECUTIVE SUMMARY¹

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of three grants awarded to the City of Passaic, New Jersey (Passaic), which received grant funds on behalf of other participating subgrantee municipalities. The three grants were Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), Edward Byrne Memorial Justice Assistance Grants (JAG), and included one Recovery Act grant. Collectively, the grants totaled \$2,363,976. The general purpose of the Recovery Act grant was to preserve jobs, promote economic recovery, and increase crime prevention efforts. OJP awarded the JAG grants 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 Passaic's program performance in meeting the grants' objectives and overall accomplishments.

We reviewed Passaic's compliance with key award conditions and identified deficiencies related to subgrantee monitoring, managing accountable property, unallowable and unsupported salary expenses, and progress reporting. As a result of these findings, we questioned \$5,817 for unsupported and unallowable salary expenses.

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 Passaic officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from Passaic officials and OJP, and their responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of

¹ The Office of the Inspector General redacted portions of Appendix III of this report because it contains information that may be protected by the Privacy Act of 1974, 5 U.S.C. §552(a) or may implicate the privacy rights of identified individuals.

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

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INTRODUCTION

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of three grants awarded to the city of Passaic, New Jersey (Passaic), with up to five other disparate subgrantee municipalities.² These grants included an Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) grant number 2009-SB-B9-3070, and two non-Recovery Act JAG grants, numbers 2009-DJ-BX-1208 and 2010-DJ-BX-1194. Collectively, the grants totaled \$2,363,976. The general purpose of the Recovery Act was to preserve jobs, promote economic recovery, and increase crime prevention efforts. OJP awarded JAG funding to improve the effectiveness and efficiency of state and local criminal justice systems.

In a disparate situation, the units of local government must apply for an award with a single, joint application. The city of Passaic was the fiscal agent and grantee for these grants with up to five subgrantees: Paterson, Clifton, West Milford, Wayne, and Little Falls. West Milford, Wayne, and Little Falls only received Recovery Act JAG funds. As the fiscal agent, Passaic served as the grantee and submitted the application on behalf of the potential subgrantees, oversaw coordination of grant funds according to an agreement with each of the subgrantees, and was legally responsible for complying with all applicable federal rules and regulations in receiving and expending the grant funds. Passaic also received 10 percent of each grant award for costs associated with administering each grant.

Each jurisdiction's allocation was to be used for activities and projects contributing to the retention of jobs, increase in efficiencies, and a reduction in crime. For example, Passaic planned to purchase police radios and police equipment, including equipment to update an indoor shooting range. Paterson planned to purchase police vehicles and retain 23 police officer positions by paying their salary and fringe benefits. Clifton planned to pay for an e-mail server and 27 color monitors to replace its 911 communication center monitors. West Milford, Wayne, and Little Falls planned to purchase a variety of items to replace aged equipment or enhance their capabilities.

² A disparate allocation occurs when a city or municipality is scheduled to receive at least 150 percent more than the county, while the county bears more than 50 percent of the costs associated with prosecution or incarceration of the municipality's violent crimes. In a disparate situation, the units of local government must apply for an award with a single, joint application. Each jurisdiction's allocation is used for activities and projects that will provide meaningful and measurable outcomes consistent with the goals of the grant.

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

**Justice Assistance Grants
Passaic, New Jersey**

GRANT NUMBER	START DATE	END DATE	AMOUNT
2009-SB-B9-3070	03/01/2009	02/28/2013	\$1,622,388
2009-DJ-BX-1208	10/01/2008	09/30/2012	378,650
2010-DJ-BX-1194	10/01/2009	09/30/2013	362,938
TOTAL:			\$2,363,976

Source: OJP

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, \$2 billion was provided to OJP for Byrne JAG grants.

Office of Justice Programs Byrne Memorial Justice Assistance Grant

The Byrne JAG program is the primary provider of federal criminal justice funding to state and local jurisdictions. JAG funds are intended to support 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. OJP awarded the 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.

As discussed earlier, jurisdictions, such as Passaic and its subgrantees, were certified by OJP as disparate. As a result, the jurisdiction identified Passaic as the fiscal agent responsible for submitting the joint application for the total eligible allocation. This application specified the award distribution to each jurisdiction and how the funds would be used.

City of Passaic

In 2010, Passaic, which is situated along the Passaic River in Passaic County and is approximately 14 miles from New York City, was the 15th largest city in New Jersey. According to the FBI's Uniform Crime Report -

Offenses Known to Law Enforcement by State by City for 2010, Passaic had the 13th highest number of offenses known to law enforcement in New Jersey with 635 violent crimes and 1,630 property crimes. According to its grant application, Passaic was once known for its manufacturing plants and textile mills which have greatly declined, contributing to a decline in the tax base and high unemployment.

City of Paterson

For 2010, Paterson was New Jersey's third largest city by population. In addition, according to the FBI's Uniform Crime Report, Paterson had the fourth highest number of known offenses reported to law enforcement in New Jersey.

City of Clifton

For 2010, Clifton was New Jersey's 11th largest city by population. Clifton had no data listed in the 480 New Jersey municipalities of the number of known offenses reported to law enforcement as listed in the FBI's Uniform Crime Report - Offenses Known to Law Enforcement by State by City for 2010.

West Milford Township

For 2010, West Milford was New Jersey's 96th largest city by population. In addition, West Milford had the 148th highest number of known offenses reported to law enforcement as listed by the FBI for New Jersey.

Wayne Township

For 2010, Wayne was New Jersey's 29th largest city by population. In addition, Wayne had the 31st highest number of known offenses reported to law enforcement as listed by the FBI for New Jersey.

Little Falls Township

For 2010, Little Falls was New Jersey's 175th largest city by population. In addition, Little Falls had the 204th highest number of known offenses reported to law enforcement as listed by the FBI for New Jersey.

Our Audit Approach

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 were contained in 28 C.F.R. § 66 (the Uniform Administrative Requirements for Grants), the OJP Financial Guide, and the specific terms and conditions of each grant award. We tested Passaic'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.
- **Accountable property** to determine whether Passaic had procedures for controlling accountable property, and whether the property was included in its inventory and identified as purchased with federal funds.
- **Grant expenditures** to determine whether the costs charged to the grant were allowable and supported.
- **Reporting** to determine whether the required reports were submitted on time and accurately reflected grant activity.
- **Grant drawdowns** to determine whether grant drawdowns were adequately supported in accordance with federal requirements.
- **Compliance with award special conditions** to determine whether Passaic complied with all of the terms and conditions specified in the individual grant award documents.
- **Program performance and accomplishments** to determine if the grantee met, or is capable of meeting, the grant's objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.

We also performed limited work and confirmed that Passaic did not generate or receive program income, was not required to contribute any local matching funds, and that funds were not awarded to contractors. In addition, since these grants were formula based, the budgets submitted were informational and not subject to OJP approval for reprogramming. We, therefore, performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

Our audit determined that one of the funded program's subgrantees, Paterson, charged unsupported and unallowable salary expenses. Further, Passaic had inadequate subgrantee monitoring procedures. Also, the grant recipient did not maintain property records and did not conduct an inventory of equipment. Finally, the progress reports that Passaic submitted contained errors. These issues, including the underlying causes and potential effects on the grants, are discussed in the body of the report.

Internal Control Environment

According to the OJP Financial Guide, grant recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls for grant funds received. An acceptable internal control system provides cost and property controls to ensure optimal use of funds. Grant recipients must adequately safeguard funds and ensure they are used solely for authorized purposes.

Our audit included a review of Passaic's accounting and financial management system, subgrantee monitoring, 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 Passaic management staff and performed expenditure testing to further assess risk.

The Passaic Director of Finance said that he believed an adequate system of internal controls was in place. However, our review of the OJP requirements and Passaic practices indicated improvements could be made in Passaic's system of internal controls. These internal control deficiencies are discussed in detail in the body of the report.

Financial Management System

The C.F.R. 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 Passaic maintained these records in three separate accounts, one for each grant received. We determined that the three

accounts tracked obligations, outlays, and expenditures allocated to each project.

Single Audits

We reviewed Passaic's Single Audit Reports for FYs 2010 and 2011 and found that Passaic received a qualified opinion because of a scope limitation due to the presentation of the unaudited General Fixed Assets Account Group (a group of accounts set up to account for fixed assets) in the financial statements. A fixed asset is a tangible or intangible nonexpendable property having a useful life of more than one year including equipment, machinery, automobiles, furniture, and real property. As a result, in addition to the review of Passaic's policies and procedures, we expanded our testing to verify grant-funded accountable property.

OJP Monitoring

In March 2011, OJP conducted a site visit and identified areas for follow-up, including: (1) charges made to grants prior to the grant award (these expenditures were reversed in the accounting records prior to the start of our audit); (2) charges for items not in the approved budget; (3) documentation for verifying non-supplanting of grant funds needed to be provided; (4) written policies and procedures to ensure funds are used for authorized purposes needed to be created; and (5) a system to maintain adequate an financial system and internal controls to track the receipt and disbursement of federal funds needed to be created.

During our audit, we identified areas of continued weaknesses, including: (1) inadequate monitoring of subgrantees, and (2) the lack of written policies and procedures to ensure funds were used for authorized purposes. Those items are discussed below.

Accountable Property

The OJP Financial Guide requires grantees to be prudent in the acquisition and management of property acquired with federal funds. In addition, grantees are required to conduct a physical inventory of property every 2 years, reconcile the results with the property records, and maintain accurate property records. Property records should include such items as a description of the property, the cost, acquisition date, percentage of federal participation in the cost of the property, serial number, and location of the property. A physical inventory is a physical inspection of the property that is

used to verify the existence, current utilization, and continued need for the property.

A Passaic official said that Passaic did not conduct an inventory, but tracked grant purchased equipment with a report generated from Passaic's financial system which was annotated to aid in tracking equipment. We reviewed the tracking report and found that the report failed to identify all of the required items noted above, including the serial number or identification number, the title holder, the location of the property, and disposition data. As a result, Passaic could not ensure that grant purchased equipment was being used to achieve the grant objective and goals.

We also conducted an inventory of a sample of equipment which Passaic, Paterson, and Clifton purchased with grant funds. As a result of our review, we concluded that we were able to reasonably verify the verifiable units located on site which we selected for testing.

We confirmed that Passaic did not conduct an inventory. In addition, we confirmed that while Clifton performed an inventory, Clifton only updated its inventory annually. As a result, the equipment that we attempted to track was not reflected in Clifton's inventory because it was purchased after the last inventory. Additionally, Clifton and Paterson did not maintain an inventory in compliance with the OJP Financial Guide. We found that that neither Clifton's nor Paterson's inventory adequately identified grant purchased equipment as federally-funded equipment.

Grant Expenditures

The OJP Financial Guide requires grantees to account for expenditures and maintain adequate supporting documentation. We reviewed grant expenditures to determine if the costs charged to the award were allowable, supported, and properly allocated in compliance with grant requirements. We obtained and reviewed the invoices and available supporting documentation for the sampled expenses charged to the grant.

According to the applications and award documentation, the JAG awards were to pay for various police equipment including police vehicles, radios, computer servers and monitors, tactical equipment, a maintenance contract for a 911 system, and police officer salaries and fringe benefits. We found that the grant was used for the purchase of equipment, a maintenance contract for the equipment, and personnel expenses.

We reviewed the supporting documentation for 59 transactions and found that for Passaic, there were no issues with the supporting

documentation for 56 of those transactions. However, though all Passaic's transactions showed approval by a supervisor, three transactions showed no evidence of approval for payment by Passaic's Director of Finance as required by Passaic's internal control process. Further, we found that Paterson charged \$5,701 for unallowable non-officer staff (Police Assistants) which were not approved in the grant budget, and \$116 for unsupported retroactive wages paid to a police officer for which Passaic could not provide adequate documentation. Without adequate supporting documentation, we could not determine whether the expense supported the grant's goals and objectives. As a result, we question \$5,817 for either unsupported or unallowable payroll expenses. We also recommend that Passaic ensure that all payments are properly approved as required by their internal control procedures.

Subgrantee Monitoring

We reviewed Passaic's monitoring of subgrantees, in this case the subgrantees were the cities of Paterson and Clifton, and found Passaic's practices to be inadequate. A special condition of the Recovery JAG grant required grantees to submit, upon request, documentation of its policies and procedures for monitoring award funds to subgrantees. According to a Passaic official, Passaic did not maintain written subgrantee monitoring policies. Instead, Passaic maintained phone contact to monitor subgrantees and reviewed expenditure documentation.

Passaic, as the grantee, was required to comply with the OJP Financial Guide, which included (1) ensuring subgrantees comply with the Single Audit requirements (as applicable); (2) ensuring that an adequate accounting system exists for each of its subgrantees; and (3) monitoring subgrantees' procedures for administering the award and adhering to the terms and conditions of the grants. The special conditions for the grants also required that Passaic, as the grantee, ensure that the subgrantees had a valid Dun & Bradstreet Data Universal Numbering System (DUNS) profile and an active registration with the Central Contractor Registration (CCR) database. However, Passaic made no effort to ensure that the subgrantees completed these items. Because of the lack of subgrantee monitoring, Passaic only maintained its DUNS number and ensured its own CCR registration. As required by the financial guide, Passaic's monitoring should ensure that a physical inventory is performed every 2 years. Without this additional monitoring, Passaic cannot be sure that its subgrantees are using the grant-funded equipment in a manner to support grant goals and objectives and that subgrantees' policies are consistent with federal guidelines and regulations. As a result, we recommend that Passaic and its subgrantees

conduct physical inventories at least every 2 years, reconcile the results with property records, and appropriately track grant funded equipment.

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.

Passaic officials told us that they completed FFRs using reports generated quarterly from their accounting system. We tested 12 FFRs that covered financial activity between October 2011 and September 2012. We found Passaic officials submitted each FFR timely. We concluded that all 12 reports were accurate or differences were adequately explained because each project's total expenditures reported in the FFRs agreed with or was less than the totals reported in Passaic's accounting records.³

Progress Reports

The OJP Financial Guide established an annual progress reporting requirement for JAG grants. The reporting period covered October 1 through September 30, and the report was due no later than December 31st of each year. We reviewed six of the eight JAG progress reports Passaic submitted, covering the periods ending September 30, 2011, and September 30, 2012, and found Passaic submitted each progress report within the required time period. We found the reports included the required elements. For example one report included: (1) statistics relevant to the number of police officers retained with grant funding, (2) information regarding the use of the grant funds by Passaic and the subgrantees and (3) equipment purchased.

However, we found the progress reports contained errors. Passaic provided an incorrect amount for subgrantee Recovery Act expenses for equipment and supplies. Passaic also included personnel expenses when reporting JAG Recovery Act funds spent on equipment and supplies. In

³ The differences between the accounting records and submitted FFRs resulted from timing differences in posting of the expenditures to the accounting records and subsequent FFRs captured these expenditures.

addition, Passaic made a duplicate entry, recording the same \$192,985 in expenditures for two different quarters. A Passaic official said that he had inadvertently made the errors. Without accurate progress reports, OJP cannot determine whether grant funds are being used to achieve grant goals and objectives.

Recovery Act Reports

In addition to the 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.

For the Recovery Act grant, Passaic was responsible for submitting 13 reports from the grant award acceptance date through October 2012. We examined two quarterly reports and we found the reports included the required elements and the reports were submitted timely.

Passaic officials submitted all of the required financial, progress, and Recovery Act reports in a timely manner. However, because the progress reports submitted by Passaic contained errors, we concluded that Passaic did not adequately meet its reporting requirements for progress reports, and recommend that Passaic develop policies to ensure that the progress reports submitted are accurate.

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 the Department of Justice makes payments to grantees. Advances are allowed, but 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, reviewed documentation completed by a grant official, and reviewed documentation supporting the actual expenditures. We determined grant funds were requested on a reimbursement basis. In addition, we determined drawdowns were requested based on actual expenditures.

At the time of our field work, Passaic had drawn down \$2,004,898 of the JAG grant funds. We examined the cumulative drawdowns Passaic made between August 2009 and September 2012. Generally, Passaic generated expense reports from its financial system for the three grants and submitted the drawdown request for that amount.

Compliance with Award Special Conditions

Award special conditions are included in the terms and conditions of a grant, and special conditions may be added to address provisions unique to an individual grant award. All three grants we audited contained a special condition that grant funds be used to supplement existing funding and not supplant, or replace, funding already appropriated for the same purpose.

Supplanting Analysis

The OJP Financial Guide and the special conditions of the grant awards we audited require grantees to use federal funds to supplement existing funds for program activities and must not replace those funds that have been appropriated for the same purpose. During our audit, we completed an analysis of the number of jobs Passaic preserved with Recovery Act funding through the grants, examining the potential for supplanting.

Recovery Act funding was provided through Passaic to retain 24 existing full-time police officer positions at Paterson and Clifton. According to the application, these positions would have been laid off as a result of events unrelated to receiving federal funding. Paterson received funding for 23 of the 24 officer positions, and as a result we tested to determine if Paterson supplanted the grant funds. To eliminate the potential for supplanting after a grantee receives funding, the grantee is expected to maintain its local budget for sworn officers during the grant period. However, the grant terms provide an exception to the requirement if the recipient can demonstrate the reduction occurred for reasons unrelated to grant funding.

Paterson's request for funds indicated that without the funds the 23 officers would be laid off. Our review found that Paterson laid off 125 police officers during 2011. We reviewed budget documents and found the reduction in sworn officer strength and dollars budgeted resulted from reductions in funding provided by the State of New Jersey. Based on our review of budget documents and sworn officer strength, we determined that Paterson's reduction in police force strength was due to reasons other than being awarded grant funds. As a result, we concluded that Paterson's layoffs did not violate the award's non-supplanting requirement.

Program Performance and Accomplishments

The Recovery Act included an objective to preserve jobs. As previously noted, Passaic reported on the positions retained. There were no positions retained for the two quarters tested during our review. The Passaic Recovery JAG program included funding jobs that would have been eliminated if Passaic, or its subgrantees, did not receive grant funding. As discussed earlier, Passaic's subgrantees received funding to retain jobs, including Paterson to preserve 23 police officer jobs and Clifton to preserve 1 job. Our analysis for supplanting indicators confirmed that Paterson preserved 23 police officer jobs through September 2011 that would have been eliminated in the absence of grant funding. In addition, we found no evidence that Clifton did not preserve the job of one officer.

In addition to the preservation of jobs, the grants were used to fund purchases to support law enforcement functions within Passaic and its subgrantees. We interviewed officials from the grantee and two of the subgrantees, reviewed progress reports and other supporting documents, and found evidence that Passaic and the subgrantees purchased law enforcement equipment that may address the reduction of crime in their local jurisdictions.

Conclusion

We found Passaic generally met the terms and conditions for the JAG grants we audited. Specifically, we found that grant funds were generally managed appropriately and used for the purposes of the grants.

However, we also found Passaic had inadequate subgrantee monitoring, inadequate grant funded equipment/inventory management, and inaccuracies in progress reporting. Additionally, Paterson charged \$5,817 in questioned salary expenses. As a result, we make seven recommendations to address these findings.

Recommendations

We recommend that OJP:

1. Ensure Passaic develops and implements written subgrantee monitoring policies that comply with OJP requirements.
2. Ensure Passaic and its subgrantees develop and implement systems to track grant-funded equipment in conformance with OJP requirements.

3. Ensure that Passaic follows its internal control procedures for the purchase, receipt, and payment of goods and services.
4. Ensure that Passaic and its subgrantees conduct physical inventories at least every 2 years, reconcile the results with property records, and appropriately track grant funded equipment.
5. Ensure that Passaic implements policies ensuring accurate progress reports are submitted.
6. Remedy the \$5,701 in unallowable salary expenses.
7. Remedy the \$116 in unsupported salary expenses.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether reimbursements claimed for costs under three grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed grantee program performance in meeting grant objectives and overall accomplishments. We reviewed activities in the following areas: (1) internal control environment, (2) accountable property, (3) grant expenditures, (4) reporting, (5) drawdowns, (6) compliance with award special conditions, and (7) program performance and accomplishments. We determined that indirect and matching costs and budget management and control were not applicable to these grants.

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 one Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) number 2009-SB-B9-3070 and two non-Recovery Act JAG grants numbers 2009-DJ-BX-1208 and 2010-DJ-BX-1194. The grantee had received a total of \$2,004,898 in grant funding through September 2012 for the three grants.

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 C.F.R. § 66, Uniform Administrative Requirements for Grants, the OJP Financial Guide, and the award documents. We reviewed Passaic's Single Audit Reports for FYs 2010 and 2011 and found that Passaic received a qualified opinion because of a scope limitation due to the presentation of the unaudited General Fixed Assets Account Group financial statements. As a result, we conducted additional accountable property testing.

In conducting our audit, we tested the Passaic's award activities in the following areas: accounting and internal controls, accountable property, grant expenditures, budget management and controls, reporting, drawdowns, compliance with Other Award Special Conditions; program

performance and accomplishments. In addition, we reviewed the internal controls of the city's financial management system specific to the management of Department of Justice 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 of reimbursement requests and Federal Financial Reports.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:⁴	AMOUNT	PAGE
Unallowable Expenditures	\$5,701	9
Unsupported Expenditures	\$116	9
TOTAL QUESTIONED COSTS:	\$5,817	
TOTAL DOLLAR-RELATED FINDINGS:	\$5,817	

⁴ **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.

**CITY OF PASSAIC, NEW JERSEY
RESPONSE TO THE DRAFT REPORT**



DEPARTMENT OF POLICE
CITY OF PASSAIC, NEW JERSEY
973-365-3900



August 12, 2013

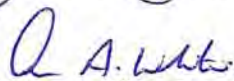
Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. Puerzer:

In accordance with the July 25, 2013 draft audit issued by your office, enclosed is the response and documentation from the City of Passaic. We would like to thank you and the auditors, for their cooperation with the employees of the City of Passaic, Clifton and Paterson while performing said audit.

Sincerely,


Jose Agosto, Finance Director


Andrew A. White, Detective
Grant Administrator

:nh

Enclosures

c: Ms. Linda J. Taylor

Recommendations

We recommend that OJP:

1. Ensure Passaic develops and implements written subgrantee monitoring polices that comply with OJP requirements.
Concurrence
A written policy and procedure for sub-recipient's monitoring has been established, see attachment #1 for further details. A copy of this policy and procedure has been sent to the DOJ grant manager assigned to the City Of Passaic.
2. Ensure Passaic and its subgrantees develop and implement systems to track grant-funded equipment in conformance with OJP requirements.
Concurrence
A written Tracking & Inventory policy and procedure for the City of Passaic Police Department and sub-recipient has been established. See attachment#1 for further details
3. Ensure that Passaic follows its internal control procedures for the purchase, receipt, and payment of goods and services.
Non Concurrence
A review of the City's Purchase Orders reflects signatures by all parties (see attachment exhibits#3). All City of Passaic purchases are electronically requisitioned and electronically approved by Department Head, Qualified Purchasing Agent (Administration) and the Finance Director. Payments requested by sub grantees are checked for proper account, balance in the Blanket PO's issued and if supporting documentation is attached before the item makes the Bill List. The Bill List is reviewed and approved prior to submission to the Clerk's Office for Council payment approval.
4. Ensure that Passaic and its sub grantees conduct physical inventories at least every 2 years, reconcile the results with property records, and appropriately track grant funded equipment.
Concurrence
A written Tracking & Inventory policy and procedure for the City of Passaic Police Department and sub-recipient has been established. See attachment#1 for further details.

5. Ensure that Passaic implements policies ensuring accurate progress reports are submitted.

Concurrence

Prior to submission of Byrne Grants progress reports, they will be printed and reviewed by the City of Passaic Finance Director to ensure that information is correct and accurate. See attachment#2.

6. Remedy the \$5,701 in unallowable salary expenses.

Non Concurrence

I believe the amount questioned is the \$5,669.45 to Officers [REDACTED] attributable to Title Police Assistant. These Officers did not attend Police Academy but instead, the new hires were trained internally by Paterson Police Department, tested per NJS Civil Service and sworn in as Police Officers. Expense would be no more than salary paid to a cadet in the Academy and as such the City request that the expense be allowed as cost of new hire. Please see explanatory provided by Paterson Police Department.

The Police Assistant Program was an initiative which sought to give city residents a greater opportunity and alternate means of pursuing a law enforcement career within their respective hometown agencies. The job title and program itself comes straight from the Civil Service Commission (CSC) and is available to any municipality that wished to participate based on demonstrated need (*lack of diversity, minority groups, women etc.*). Potential candidates take an examination for the non-permanent title of Police Assistance. The exam is open to RESIDENTS ONLY who must maintain that status throughout the program. Successful candidates are ranked in order after testing and the list of eligible's thus provided to the City from the CSC. Applicants are then called based on vacancies and must pass a background examination. If successful, they are hired into the program.

The program consists of in-service training blocks related to police work, such as dispatch, telecommunications, cell-block operations, and other administrative/non-enforcement posts. The Police Assistant then serves in a paid apprenticeship -type capacity for a minimum of one (1) full year. If they have good evaluations and job performance, they take the next Police Officer Entrance Exam administered by CSC with a different symbol number. For the Police Assistant, the exam is simply pass/fail. If successful they are **promoted** to the rank of police officer ahead of eligible's on the regular police list..

The job title of Police Assistant is non-permanent. That means if they have poor performance evaluations, disciplinary actions or fail the regular police exam then **may not** continue on in the role of police assistant and must be offered alternate employment or terminated.

7. Remedy the \$116 in unsupported salary expenses.

Non Concurrence

The amount in question arrives from assumptions of the rate of pay for the Officers involved. The amount should be allowed per Paterson official:

For ██████████ whose regular wages was \$1,377.31, it seems that \$1,281.23 represents the regular salary without shift differential. Shift differential normally adds another 5% (or \$64.06) for a total of \$1,345.30. There seems to be another unaccounted for \$32.02 (or approx. 2.5% of gross salary). Can you explain this difference?

██████████ was not receiving shift differential, he was receiving \$1,281.23 regular salary and \$96.08 was for education credits, totaling \$1,377.31.

Regarding the \$640.46 retroactive payment for ██████████ I can't determine how the \$640.46 was calculated. According to data Paterson provided, 1,228.22 was charged to the grant for most pay periods prior to the 10/30/09 pay date but the correct amount would have been \$1,281.23. The resulting difference is \$53.02. If we compute that amount for the same 10 back pay periods as we did for ██████████, retroactive pay of \$530.21 is calculated. Can you explain the difference?

██████████: Prior to retro he was earning \$1,169.73 regular base wages and \$58.49 for shift diff totaling \$1,228.22 a pay period. After increase his regular base salary was \$1,281.23 and \$64.06 for shift diff totaling \$1,345.30, therefore total increase per pay was \$111.50 regular base salary and additional \$5.57 per pay. His retro payment was \$640.46.

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

AUG 22 2013

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 Justice Programs, Grants Awarded to the City of Passaic, New Jersey*

This memorandum is in reference to your correspondence, dated July 25, 2013, transmitting the above-referenced draft audit report for the City of Passaic, New Jersey (Passaic). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains seven recommendations and \$5,817 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 ensures that Passaic develops and implements written subgrantee monitoring policies that comply with OJP requirements.**

OJP agrees with the recommendation. We will coordinate with Passaic to obtain a copy of written procedures implemented to ensure that Federal grant funds awarded to subgrantees are properly accounted for, controlled, and monitored.

2. **We recommend that OJP ensures that Passaic and its subgrantees develop and implement systems to track grant-funded equipment in conformance with OJP requirements.**

OJP agrees with the recommendation. We will coordinate with Passaic to obtain a copy of written procedures, developed and implemented, to ensure that Passaic and its subgrantees properly track equipment purchased with Federal grant funds in conformance with OJP requirements.

- 3. We recommend that OJP ensures that Passaic follows its internal control procedures for the purchase, receipt, and payment of goods and services.**

OJP agrees with the recommendation. We will coordinate with Passaic to obtain documentation demonstrating that key Passaic employees have received and been trained on internal control procedures related to the purchase, receipt, and payment of goods and services; and that these procedures have been properly implemented by Passaic.

- 4. We recommend that OJP ensures that Passaic and its subgrantees conduct physical inventories at least every 2 years, reconcile the results with property records, and appropriately track grant funded equipment.**

OJP agrees with the recommendation. We will coordinate with Passaic to obtain a copy of written procedures, developed and implemented, to ensure that fixed assets purchased with Federal funds, by Passaic and its subgrantees, are clearly identified in their fixed asset accounting systems; physical inventories of fixed assets purchased with Federal funds are performed at least every two years; and the results of the physical inventories are reconciled to the fixed asset records.

- 5. We recommend that OJP ensures that Passaic implements policies ensuring accurate progress reports are submitted.**

OJP agrees with the recommendation. We will coordinate with Passaic to obtain a copy of written procedures implemented to ensure that future semi-annual progress reports are accurately prepared and reviewed by management; and the supporting documentation is maintained for future auditing purposes.

- 6. We recommend that OJP remedies the \$5,701 in unallowable salary expenses.**

OJP agrees with the recommendation. We will coordinate with Passaic to remedy the \$5,701 in questioned costs related to unallowable salary expenses charged to its OJP grants.

- 7. We recommend that OJP remedies the \$116 in unsupported salary expenses.**

OJP agrees with the recommendation. We will coordinate with Passaic to remedy the \$116 in questioned costs related to unsupported salary expenses charged to its OJP grants.

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

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

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OJP Executive Secretariat
Control Number 20131249

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 City of Passaic, New Jersey (Passaic), and the Office of Justice Programs (OJP) for review and comment. Passaic's response is included as Appendix III of this final report and OJP's response is included as Appendix IV. The following provides the OIG analysis of the responses. Based on the OIG's analysis of the responses and the documentation Passaic provided, this audit report is issued resolved.

Recommendation Number

1. **Resolved.** OJP agreed with our recommendation to ensure Passaic develops and implements written subgrantee monitoring policies that comply with OJP requirements. In its response, OJP stated it will coordinate with Passaic to obtain a copy of the written procedures implemented to ensure the federal grant funds awarded to subgrantees are properly accounted for, controlled, and monitored.

In its response, Passaic provided a copy of its April 22, 2013, written policy to monitor sub-recipient monitoring.⁵ However, Passaic's policy to monitor sub-recipients lacks sufficient detail to resolve the weaknesses we found in its subgrantee monitoring. For example, Passaic's policy does not identify the frequency with which such site visits of subgrantees will be performed. Performing site visits designed to adequately review subgrantee compliance with grant rules will help ensure subgrantee compliance with grant rules, such as the inventory management requirements which we found some subgrantees did not comply with.

In addition, Passaic's policy states that Passaic plans to "review detailed financial and program data, and information submitted by the sub-recipient when no site visit is conducted. Documents to review might include timesheets, invoices, contracts, and ledgers that tie back to financial reports." However, this procedure does not specify in sufficient detail the extent of such reviews; therefore we could not determine whether the reviews would address the deficiencies we found in our audit. For example, the grant rules governing grant recipient

⁵ Throughout its response Passaic refers to the subgrantees as sub-recipients. For purposes of this discussion they are referring to the same thing, the municipalities which received portions of the grant funds.

standards for financial management systems require that recipients' financial management systems provide for a comparison of outlays with budget amounts for each award. Detailed comparison of subgrantees' financial and program data with the approved grant budget and grant terms may help prevent unallowable expenses from being incurred by subgrantees, such as the unapproved subgrantee salaries questioned in our audit.

This recommendation can be closed when we receive a copy of Passaic's policy to monitor subgrantees that fully address the weaknesses identified in this report.

2. **Resolved.** OJP agreed with our recommendation to ensure that Passaic and its subgrantees develop and implement systems to track grant-funded equipment in conformance with OJP requirements. OJP stated in its response that it will coordinate with Passaic to obtain a copy of written procedures, developed and implemented, to ensure that Passaic and its subgrantees properly track equipment purchased with Federal grant funds in conformance with OJP requirements.

Passaic concurred with our recommendation to ensure it, and its subgrantees, develop and implement systems to track grant-funded equipment in conformance with OJP requirements. Passaic provided its April 22, 2013, written Tracking and Inventory policy and procedure for the City of Passaic and its subgrantees. The policy discusses procedures that Passaic and its subgrantees plan to perform, but provides no evidence of implementation.

This recommendation can be closed when we receive documentation demonstrating that Passaic and the subgrantees have implemented its policy to track grant-funded equipment and that the grant-funded equipment has been inventoried and is being tracked by Passaic and the subgrantees according to OJP requirements.

3. **Resolved.** OJP agreed with our recommendation to ensure that Passaic follows its internal control procedures for the purchase, receipt, and payment of goods and services. In its response, OJP stated that it will coordinate with Passaic to obtain documentation demonstrating that key Passaic employees have received and been trained on internal control procedures related to the purchase, receipt, and payment of goods and services; and that these procedures have been properly implemented by Passaic.

Passaic disagreed with this recommendation and provided with its response copies of the purchase orders signed by the Finance Director authorizing payment. Passaic officials stated that these signed purchase orders were found during their development of the response to our report. However, the purchase orders provided prior to the issuance of our draft showed no evidence of authorization by the Finance Director. Further, these new purchase orders did not identify a date for the Finance Director's authorizing signature. As a result, we cannot determine when the Finance Director authorized the payment, and whether it was authorized prior to the expenditure of funds.

This recommendation can be closed when we receive documentation demonstrating that key Passaic employees have received and been trained on internal control procedures related to the purchase, receipt, and payment of goods and services; and that these procedures have been properly implemented by Passaic.

4. **Resolved.** OJP concurred with our recommendation to ensure that Passaic and its subgrantees conduct physical inventories at least every 2 years, reconcile the results with property records, and appropriately track grant-funded equipment. In its response, OJP stated it will coordinate with Passaic to obtain a copy of written procedures, developed and implemented to address the recommendation.

Passaic concurred with the recommendation and provided the April 22, 2013, written Tracking and Inventory policy and procedure for Passaic and its sub-recipients. This policy discusses procedures that Passaic and the subgrantees plan to perform, but provides no evidence of implementation.

This recommendation can be closed when we receive documentation demonstrating that the subgrantees have developed and implemented a system to track grant-funded equipment and that the grant-funded equipment has been inventoried and is being tracked by Passaic and the subgrantees according to OJP requirements.

5. **Resolved.** OJP agreed with our recommendation to ensure that Passaic implements policies ensuring accurate progress reports are submitted. In its response, OJP stated it will coordinate with Passaic to obtain a copy of the written procedures implemented to ensure that future semi-annual progress reports are accurately prepared and reviewed by management; and the supporting documentation is maintained for future auditing purposes.

Passaic concurred with the recommendation. In its response, Passaic stated that progress reports would be reviewed by the Finance Director to ensure accuracy and provided an undated policy stating such requirement. However, in our opinion, it does not appear that the level of review required by this policy would ensure accurate progress reports in the future. For example, the Finance Director may not be able to accurately verify non-financial data in the progress reports. In our opinion, progress report data should be accurate, reviewed by appropriate management, and supported by adequate documentation.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of written procedures to ensure that future semi-annual progress reports are accurately prepared and reviewed by management; and the supporting documentation is maintained for future auditing purposes.

6. **Resolved.** OJP agreed with our recommendation to remedy the \$5,701 in unallowable salary expenses. OJP stated in its response that it will coordinate with Passaic to remedy those costs.

In its response, Passaic did not concur with our recommendation because it believed that a subrecipient, the Paterson Police Department, made an allowable disbursement by paying non-sworn police department staff (Police Assistants) and that the Police Assistants should be treated as newly hired police officers in training.

In our judgment, the expenses for either "Police Assistants" or police officers in training would still be an unallowable since Paterson's budget specified that it intended to use the grant funds to retain sworn officers hired on November 17, 2008. The funds were intended to sustain the salaries for the 23 sworn officers in the following fiscal year, beginning July 1, 2009. According to the documentation Paterson previously provided, the payments in question represented retroactive pay that was due the four officers for a union increase that was payable for a period prior to the grant when the officers were "Police Assistants." Because these payments were incurred for non-officer expenses outside the scope of that approved by the budget, which only allowed for sworn officers, we questioned those costs. In our prior correspondence with Paterson during the audit, Paterson agreed that these retroactive payments should not have been charged to the grant.

This recommendation can be closed when we receive documentation showing that the unallowable expense has been remedied.

7. **Resolved.** OJP concurred with our recommendation to remedy the \$116 in unsupported salary expenses. In its response, OJP stated it will coordinate with Passaic to remedy the \$116 in questioned costs related to unsupported salary expenses charged to its OJP grants.

In its response, Passaic did not concur with our recommendation based on calculations it made regarding the unsupported salary expenses and provided excerpts from correspondence between Passaic and its subrecipient, Paterson. Prior to issuing the draft report, we requested a detailed explanation of the retroactive payment amount. In response to our request, Paterson indicated that since the officer had been receiving the shift differential the entire time, he was not eligible for retroactive pay for the shift differential. In response to our draft report, Paterson changed its explanation and stated that there is also retroactive shift differential due. However, neither Paterson nor Passaic provided adequate detailed support for the retroactive payment amount. While Paterson states that the underlying assumption of our rate of pay is inaccurate, it has not provided documentation to support their computation. Our computation was made using the data Paterson supplied without computation of retroactive shift differential. In its response, Paterson only provided summary data on the retroactive payment and no detail for the shift differential computation.

This recommendation can be closed when we receive documentation that the unsupported salary expense has been remedied.