



Audit of the Office of Justice Programs  
Bureau of Justice Assistance  
Comprehensive Opioid, Stimulant, and Substance Use Program  
Grants Awarded to the City of Newburyport,  
Newburyport, Massachusetts



AUDIT DIVISION

26-049

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**APRIL 2026**

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# EXECUTIVE SUMMARY

## **Audit of the Office of Justice Programs Bureau of Justice Assistance Comprehensive Opioid, Stimulant, and Substance Use Program Grants Awarded to the City of Newburyport, Newburyport, Massachusetts**

### **Objectives**

The Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) awarded the City of Newburyport (Newburyport) two grants totaling \$2,199,216 through the Comprehensive Opioid, Stimulant, and Substance Use Program (COSSUP). The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards; and to determine whether Newburyport demonstrated adequate progress towards achieving program goals and objectives.

### **Results in Brief**

There were no indications during our audit that Newburyport did not make adequate progress toward achieving the goals of the grants. We also did not identify significant concerns regarding the city's personnel costs, drawdowns, and Federal Financial Reports. However, we identified areas for improvement related to performance reports, single audits, supply and other direct costs, and the management and costs of a research partner and subrecipients. Within these areas, we identified \$439,699 in questioned costs. We also identified concerns with guidance and direction BJA provided to Newburyport related to allowable costs and the classification of entities as either contractors or subrecipients.

### **Recommendations**

Our report contains 9 recommendations for OJP. We requested a response to our draft audit report from Newburyport and OJP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

### **Audit Results**

The purposes of the audited grants were to support those with substance use disorders, at-risk individuals, and families and children affected by substance use disorders. The overall project period for the grants was from September 2019 through September 2025. As of January 2025, Newburyport drew down a cumulative amount of \$1,432,548 for both of the grants we reviewed.

#### **Program Performance and Accomplishments**

Based on our review, we saw no indications that Newburyport was not making adequate progress toward the grants' goals, but Newburyport duplicated its performance reports, thus providing BJA inaccurate data about the impact of the grant funding.

#### **Single Audits**

During the time of our audit, the city had not obtained its single audits for fiscal years (FY) 2023 and 2024 and did not submit its FY 2022 report within the required period.

#### **Research Partner and Subrecipients**

We found that Newburyport did not appropriately determine the classification of its research partner as a subrecipient or as a contractor and did not follow requirements for managing this entity as either type, resulting in \$233,850 in unallowable costs. We also found the grantee did not adequately manage its subrecipients and 21 of 24 subrecipients were not authorized by BJA, as required. In addition, Newburyport did not provide adequate support for its subrecipient expenditures, resulting in \$139,619 in unallowable subrecipient costs and \$35,000 in unsupported subrecipient costs.

#### **Supply and Other Direct Costs**

We determined that Newburyport charged the grants \$10,818 in unallowable promotional items and gift cards which were approved by BJA, \$16,662 in unsupported supply costs, and \$3,750 in unallowable speaker fees.

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# Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of two grants awarded by the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) under the Comprehensive Opioid, Stimulant, and Substance Use Program (COSSUP) to the City of Newburyport, Massachusetts (Newburyport).<sup>1</sup> The two grants totaled \$2,199,216, as shown in Table 1.

**Table 1**

## Grants Awarded to the City of Newburyport

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2019-AR-BX-K069	BJA	09/30/2019	10/01/2019	09/30/2025 <sup>2</sup>	\$600,000
15PBJA-22-GG-04445-COAP	BJA	09/28/2022	10/01/2022	09/30/2025	\$1,599,216
<b>Total:</b>					<b>\$2,199,216</b>

Source: DOJ's JustGrants System

Funding through COSSUP provides financial and technical assistance to states, local governments, and tribal governments to support efforts to identify, respond to, treat, and support those with substance use disorders. According to BJA, these resources allow communities to reduce overdose deaths, promote public safety, and support access to prevention, treatment, harm-reduction, and recovery services.

## The Grantee

Newburyport used the grants to fund the Essex County Outreach (ECO) program, which was founded and is managed by the Newburyport Police Department. The ECO program is a collaborative effort between all 34 police departments within Essex County, Massachusetts, and the Essex County Sheriff's Department. Through the program, law enforcement professionals, ECO recovery coaches, and social service partners

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<sup>1</sup> COSSUP was named the Comprehensive Opioid Abuse Site-based Program (COAP) when award number 2019-AR-BX-K069 was awarded in 2019 and the Comprehensive Opioid, Stimulant, and Substance Abuse Site-based Program (COSSAP) when award number 15PBJA-22-GG-04445-COAP was awarded in 2022. Despite the changes in award solicitation names, the grants were listed under the same Assistance Listing number, formerly Catalog of Federal Domestic Assistance number, 16.838, and have similar grant purposes. In March 2024, the OIG issued an audit report on the BJA COSSUP initiative to determine whether BJA accomplished the objectives of COSSUP, implemented adequate oversight and management of COSSUP, and effectively coordinated and collaborated with COSSUP partners and stakeholders. Audit of the Bureau of Justice Assistance Comprehensive Opioid, Stimulant, and Substance Abuse Program, Audit Report 24-054 (March 2024) <https://oig.justice.gov/reports/audit-bureau-justice-assistance-comprehensive-opioid-stimulant-and-substance-abuse-program>

<sup>2</sup> The project period end date for award number 2019-AR-BX-K069 includes three 12-month extensions. Newburyport requested these extensions to address delays caused by the COVID-19 pandemic, hiring difficulties, and difficulties with finalizing agreements with grant partners.

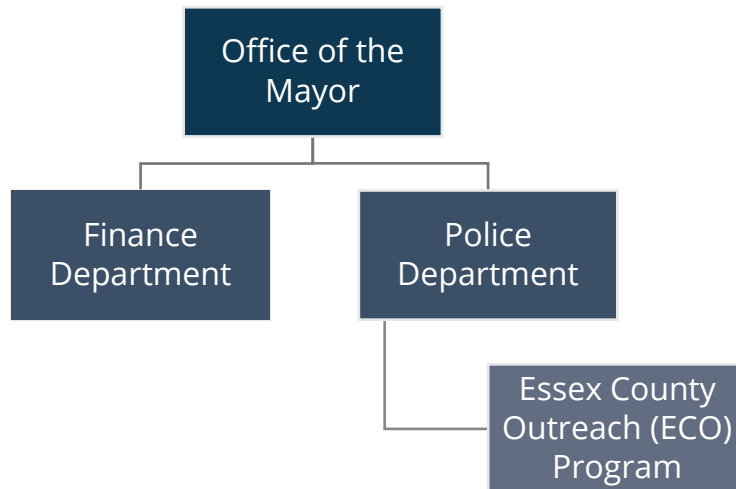
offer recovery services and other support for those with substance use disorders, impacted families and children, and at-risk individuals.

The solicitations for both grants we audited stated that BJA would give priority to those applicants with a “research partner” that would assist in the implementation of grant-funded programs. According to the FY 2019 COSSUP grant solicitation, these research partners may have responsibilities including working with the grantee to identify the problem, design the solution, and evaluate the proposed initiative. ECO coordinated through a database, managed by a research partner, which held records of overdose incidents, behavioral health incidents, and outreach efforts throughout the county to help ensure those in need received necessary support.

Though Newburyport was the grantee and an official from the Newburyport Office of the Mayor was the Authorized Entity Official who accepted the grants, the city delegated grant administration responsibilities to the city’s finance and police departments. For example, a Newburyport police officer, who served as the ECO Program Director, was responsible for completing performance reports, determining if grant expenditures were allowable and reasonable, collecting adequate supporting documentation for costs, and monitoring and managing the grant subrecipients and the research partner. The city finance department staff was responsible for ensuring Newburyport received an annual single audit, entering expenditures into the city accounting system, requesting funding drawdowns, and submitting Federal Financial Reports. See Figure 1 for a visual representation of the Newburyport entities involved in the management of these grants.

**Figure 1**

**City of Newburyport Grant Management Organization Chart**



**Source:** OIG depiction of Newburyport ECO grant organizational and operating structure

## OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether Newburyport demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, single audits, research partner management, subrecipient management, financial management, expenditures, budget management and control, drawdowns, and Federal Financial Reports.

We tested compliance with what we considered to be the most important conditions of the grants. The DOJ Grants Financial Guide; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the award documents contain the primary criteria we applied during the audit.

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

# Audit Results

## Program Performance and Accomplishments

We reviewed the required performance reports and grant documentation and interviewed Newburyport and ECO officials to determine whether the city demonstrated adequate progress towards achieving the program goals and objectives. We also reviewed the performance reports to determine if they were accurate.

## Program Goals and Objectives

Both grants shared the overarching purpose of supporting those affected by substance use disorders. Newburyport used the awards to support and expand the ECO program, which aimed at reducing overdoses and overdose deaths in Essex County, Massachusetts, by providing recovery resources, social services, and first responder training. Essex County police officers, ECO recovery coaches, and community organizations that received subrecipient funding contributed to this work.

Based on our review of the city's performance reports, which we describe in the following section, there were no indications that Newburyport was not making adequate progress toward achieving the stated goals and objectives of the grants.

## Required Performance Reports

According to the DOJ Grants Financial Guide, funding recipients should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in program solicitations. Additionally, special conditions for both grants required that performance reports be completed based on work carried out under the specific award, not under the broader ECO program. In other words, the grantee should ensure work under each grant was reported separately and exclusive of any other sources of funding, which would avoid duplicative and over-reporting.

To verify the information in the reports, we selected a sample of two performance measures from the most recent reports submitted for each grant, for a total sample size of four performance measures.<sup>3</sup> We then traced the items to supporting documentation in the ECO database. While we confirmed that the tested accomplishments described in the required reports matched the supporting documentation, we learned through our interviews and testing that Newburyport was reporting its work associated with the BJA grants for the ECO program as a whole and did not have policies instructing staff to separate the information by federal award, as required by the special condition noted above.

For example, on its performance reports for both grants, Newburyport reported that 159 individuals received less than 30 days of recovery support services between July and September 2024. Based on information from the ECO database, we determined that a total of 159 individuals received recovery support services for that time period. By reporting this metric twice, however, Newburyport overstated the impact of

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<sup>3</sup> We reviewed the performance report covering the July 2024 to December 2024 reporting period for each of the grants we audited.

the grant funding. Duplicating performance reports compromises BJA's ability to monitor the overall performance of the grant program.

We recommend that OJP require Newburyport to develop and implement written policies and procedures to ensure performance reporting is limited to the work performed under the relevant award, as required.

## Single Audits

Single audits involve reviews of a grant recipient's accountability of federal funds through assessments of their system of internal controls and compliance with the terms of award agreements.<sup>4</sup> We reviewed Newburyport's single audit reports uploaded to the Federal Audit Clearinghouse at the time of our audit, which included reports from FY 2016 through FY 2022, to identify internal control weaknesses and significant non-compliance issues related to federal awards.

We found the single audit reports from FY 2017 and FY 2018 had significant findings in the context of our audit objectives because they addressed Newburyport's lack of policies and procedures for certain Uniform Guidance requirements related to federal awards. We then assessed Newburyport's implementation of corrective actions for the policy areas in the findings, including cash management, determination of allowable costs, employee travel, procurement, and subrecipient monitoring and management. We confirmed that Newburyport took corrective action for all of these areas except subrecipient monitoring and management. We discuss those requirements, our assessment of Newburyport's pass-through entity activities related to the BJA COSSUP awards, and our recommendation for improvement in the Subrecipient Management section of this report.

In addition, the FY 2023 and FY 2024 single audit reports were not completed at the time of our audit despite being due by March 31, 2024, and March 31, 2025, respectively. We also noted that Newburyport's FY 2022 single audit report was not submitted within the required timeframe.<sup>5</sup> An official from the city's Finance Department told us the single audits were delayed because Newburyport had difficulties selecting and engaging an audit firm in a timely manner. Although the city's policies did include instruction to ensure it received an annual single audit of its financial statements and financial management practices, we found the policies did not include required reporting timeframes.

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<sup>4</sup> Non-federal entities that receive federal financial assistance are required to comply with the Single Audit Act of 1984, as amended. The Single Audit Act requires recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. The audit is referred to as "single" because it includes all federal financial assistance that the entity has received and expended. Under the Uniform Guidance, such entities that expend \$1,000,000 or more in federal funds within the entity's fiscal year must have a single audit performed annually covering all federal funds expended that year. Prior to October 1, 2024, the threshold for single audit requirements was \$750,000.

<sup>5</sup> According to 2 CFR 200.507(c)(1), single audits must be submitted to the Federal Audit Clearinghouse within 30 calendar days after the auditee receives the auditor's report or 9 months after the audit period ends (whichever is earlier). The FY 2022 single audit report was posted to the Federal Audit Clearinghouse in January 2025, before the start of our audit but after the required timeframe.

As a result, we recommend that OJP ensure Newburyport submits its FY 2023 and FY 2024 single audit reports and require Newburyport to develop and implement policies and procedures to ensure the timely completion and submission of future single audit reports to the Federal Audit Clearinghouse.

## Research Partner

As planned for within its grant budgets, Newburyport collaborated with a research partner to assist with operating the ECO program. This for-profit research company developed and maintained a database that ECO program staff used to record overdose incidents, behavioral health incidents, and outreach efforts. Newburyport used grant funds to pay the licensing fee for this database and hourly rates for the research partner's analytical services.

The DOJ Grants Financial Guide instructs grantees working with third parties, such as research partners, to use judgment to classify each agreement as a subaward or contract based on the various factors identified in the Uniform Guidance for each type. For example, if program activities are delegated to another entity, that relationship will generally be considered a subaward. On the other hand, if goods or services are purchased or procured from another entity for the recipient or subrecipient's own use, that activity will generally be considered a contract. As Newburyport did not follow guidelines for acquiring this research partner as either a subrecipient or as a contractor, which we discuss in the Research Partner Costs section, we will refer to this entity as a "research partner" throughout this report.

Through our interviews with officials from BJA and the research company, we determined that BJA directed Newburyport, as well as other COSSUP grantees using the same research partner, to classify the company as a subrecipient. BJA told us it came to this conclusion because it determined that the research partner's work in maintaining and analyzing program data directly supported the achievement of grant goals and was therefore not ancillary.

In contrast, the research partner told the audit team and BJA that it should be managed as a contractor because it is a private, for-profit research consulting firm that offers its database and services to multiple clients in a competitive environment. The research partner official also stated the position that its work was ancillary to the grant-funded programs because it did not offer core program services for the populations affected by substance use disorders.

Although BJA and the research partner disagreed on the classification, and BJA ultimately directed Newburyport to classify its research partner as a subrecipient, the Uniform Guidance states that grantees are responsible for making these determinations based on their assessment of the circumstances of the specific arrangement. However, we found that Newburyport had no written policies or procedures to instruct staff in these situations, and city officials were unfamiliar with the factors outlined in the Uniform Guidance that grantees should refer to when making these determinations. Furthermore, as we discuss in the Research Partner Costs section of this report, BJA did not give the necessary subrecipient profit authorization after directing Newburyport to treat its for-profit research partner as a subrecipient.

Because of the concerns we identified with BJA's direction to classify the research partner as a subrecipient, we recommend that OJP take appropriate steps to ensure that BJA staff and grantees receive appropriate

guidance and direction related to subrecipient/contractor classifications. We also recommend that OJP require Newburyport to develop and implement policies and procedures related to these classifications.

## **Subrecipient Management**

In addition to its work with the research partner, Newburyport used its COSSUP awards to fund 24 subrecipients. Through our interviews with the ECO Program Director and review of the documentation provided, we determined that Newburyport did not adequately oversee any of its 24 subrecipients. As a pass-through entity, or an entity that awards grant funds to subrecipients, Newburyport was required to manage and monitor its selected subrecipients to safeguard these funds. This oversight was important to ensure that the subawards were being used for the authorized purpose and in compliance with applicable federal regulations and grant requirements. The DOJ Grants Financial Guide and Uniform Guidance pass-through entity requirements and Newburyport's subrecipient practices are detailed below.

### **Subrecipient Selection**

Newburyport paid a total of \$467,969 in grant funding to 24 different subrecipients. These subrecipients included one organization that served as an ECO community partner under both grants. This organization received \$270,050, or 58 percent of the total funds Newburyport provided its subrecipients, to provide social services throughout much of Essex County.

The remaining 23 subrecipients received one-time subawards of up to \$25,000 each, awarded through Newburyport's ECO mini-grant program. Officials told us that local organizations were able to apply for these mini-grants through an online form with questions, including an overview of the project, priority areas, impacted populations, and project budgets. These officials further explained that the subaward applications for awards of up to \$5,000 were reviewed by the ECO Program Director and those for awards between \$5,000 and \$25,000 were reviewed by the ECO Advisory Board, and determinations were made based on the proposed projects' relevance to program goals. However, Newburyport did not provide documentation that confirmed it followed this procedure for all of its mini-grant subrecipients.

The Uniform Guidance requires that, after selecting a subrecipient and verifying that it is not suspended, debarred, or otherwise excluded from receiving federal funds, a pass-through entity must ensure that each of its subrecipients receives federal award information, including but not limited to: the Federal Award Identification Number, period of performance start and end dates, federal award project description, all requirements of the subaward (including the requirement that the subrecipient will permit the pass-through entity and auditors to access records and financial statements to fulfill monitoring requirements), and terms and conditions for closeout of the subaward.

In response to our request for subrecipient selection documentation, we were provided a subrecipient agreement template, developed by the ECO program, with the required information listed in the previous paragraph. However, Newburyport did not provide any that had been completed and signed by its subrecipients. Therefore, we determined that Newburyport was not in compliance with this pass-through entity requirement.

## Subrecipient Monitoring

The Uniform Guidance also requires pass-through entities to assess subrecipients' fraud risk and risk of noncompliance with subaward requirements, and pass-through entities must implement adequate monitoring practices to mitigate the determined risk factors for each subrecipient. Monitoring requirements include reviewing financial and performance reports, reviewing single audits, and ensuring subrecipients take corrective action in response to grant-related audit findings. Pass-through grantees can take additional monitoring steps depending on their risk assessments; such steps can include performing site visits and offering program-related training. Newburyport told us that it was unaware of these requirements and did not perform risk assessments or any of the required or optional monitoring steps for its subrecipients.

Grant subrecipients must also comply with the cost principles in the Uniform Guidance, which require that grant expenditures are adequately supported and allowable. DOJ also recommends that pass-through entities have controls in place for collecting and reviewing supporting documentation related to subrecipient costs as part of their financial and performance monitoring activities.

Newburyport sent us its standard ECO subrecipient reimbursement form, which was to be used for subrecipients to request subaward payments. The form had an approval section where an ECO Advisory Board member must sign and confirm that progress was made toward the subaward goals and appropriate supporting documentation was submitted with the form. We reviewed a sample of grant subrecipient expenditures and determined that many subrecipients did not use this form but rather used an invoice from the subrecipient organization. For those subrecipient expenditure records that did include the ECO form, we found that the ECO Advisory Board approval portion was incomplete. This lapse in subrecipient monitoring controls may have contributed to unsupported expenditures being charged to the grants by subrecipients, as detailed in the Subrecipient Costs section of this report.

## Written Policies and Procedures

The DOJ Grants Financial Guide mandates that pass-through entities have written policies addressing the requirements described in the previous sections covering subrecipient selection and monitoring. During this audit, we determined Newburyport did not create and implement subrecipient policies, notwithstanding the related single audit findings, as discussed earlier in this report. Although the ECO program had created some program-specific subrecipient policies, these policies did not address all the requirements discussed above. For example, the ECO policies had a list of high-risk subrecipient indicators, but the policy did not include the requirement to complete a risk assessment for each subrecipient. Additionally, the ECO policies stated that subrecipients must submit financial and programmatic reports as BJA and ECO may require, but the policies did not require that Newburyport staff collect and review these reports for all of the subrecipients.

To address these deficiencies, we recommend that OJP require Newburyport to develop and implement adequate policies and procedures for subrecipient management, to include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support.

## Grant Financial Management

According to the DOJ Grants Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. To assess Newburyport's financial management of the grants covered by this audit, we conducted interviews with financial staff, examined policies and procedures, and inspected its accounting system and grant documents to determine whether Newburyport adequately safeguarded the grant funds we audited.

Based on our review and testing in the areas that were relevant for the management of these grants, we determined that Newburyport had an accounting system that was able to separately track grant funds. However, we identified areas of improvement in Newburyport's grant financial management related to determining allowable costs and adequately supporting expenditures. We also identified concerns related to BJA's review of grantees' proposed costs. These findings are detailed throughout the following sections of this report.

## Grant Expenditures

For the grants we audited, Newburyport's grant expenditures included personnel, fringe benefits, travel, supplies, subawards, research partner costs, and other direct costs. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions by reviewing documentation and accounting records and performing verification testing related to those grant expenditures. We focused our testing on research partner costs, subawards, supplies, other direct costs, and personnel, excluding fringe benefits, because these categories amounted to \$1,452,837, or 97 percent of the \$1,495,076 in grant expenditures as of April 2025, according to the accounting system expenditure reports that Newburyport provided.

As a result of our testing described below, we identified \$414,699 in net unallowable and unsupported costs and noted management improvements that can be made to ensure grant funds are appropriately safeguarded.

## Research Partner Costs

As discussed in the Research Partner section, Newburyport used grant funds to pay a database licensing fee and hourly rates for analysis services to its research partner. The agreement between the city and its research partner was valued at \$386,230, and Newburyport had charged the grants \$233,850 for its research partner expenses at the time of our audit.

As discussed earlier in this report, BJA directed Newburyport to treat its research partner as a subrecipient. However, we found Newburyport did not properly manage this entity as a subrecipient or as a contractor. For example, to manage this entity as a subrecipient, Newburyport should have ensured the company was not earning profit from grant activities or BJA should have included authorization for subrecipient profit in the award approval documents.<sup>6</sup> A research partner official provided us with email correspondence between the research partner, BJA, and another COSSUP grantee that stated the company would be earning

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<sup>6</sup> 2 CFR 200.400(g) in the Uniform Guidance states that grant subrecipients may not earn or keep any profit resulting from grant activities, unless there is explicit authorization to do so in the terms and conditions of the award.

profits from COSSUP grant activities, and we found no authorization for subrecipient profits during our review of award documents. Additionally, Newburyport should have monitored and managed the research partner according to requirements for pass-through entities outlined in Uniform Guidance, which it did not do for any of its subrecipients, as discussed in the Subrecipient Management section of this report.

Conversely, if Newburyport had considered its research partner a contractor, it should have complied with federal procurement requirements and followed its own procurement policies. The grant awards we audited included conditions requiring Newburyport to obtain specific approval from BJA if a noncompetitive approach to contracting was used for contracts exceeding \$250,000. In addition, according to the city's procurement policies, Newburyport should have advertised a solicitation, had sealed competitive bidding, and awarded the contract based on the best price and proposal. We determined Newburyport did not use competitive methods to acquire its research partner and did not have approval from BJA, resulting in unallowable and potentially unreasonable costs. We were unable to determine if the costs associated with the research partner were reasonable because Newburyport did not apply or appropriately document its procurement activities, as required by the Uniform Guidance and the city's policies, and did not receive approval to exceed the DOJ Grant Financial Guide's consultant rate threshold when paying for the company's data analysis services.<sup>7</sup>

We concluded that the costs associated with the research partner were unallowable regardless of whether the entity was a subrecipient or a contractor because Newburyport did not manage the entity in compliance with the requirements for either type of entity. As such, we recommend that OJP remedy \$233,850 in unallowable research partner costs.

Finally, we also reviewed payments made to the research partner to determine if the payments were appropriately supported. To perform this testing, we judgmentally selected a sample of 13 expenditures, which totaled \$77,665, or 33 percent of the \$233,850 paid to the contractor. We determined that the research partner costs within our sample were adequately supported.

### **Subrecipient Costs**

Based on our review of cost documentation related to our sample expenditures associated with Newburyport's 24 subrecipients, interviews with BJA and Newburyport officials, and our understanding of the award requirements and federal regulations, we determined that of Newburyport's \$467,969 in subrecipient expenditures, \$139,619 was unallowable and \$35,000 was unsupported, as detailed below.

Within the conditions for the grant awards we audited, Newburyport was required to have BJA's specific authorization for each of its subrecipients. In reviewing the approved grant budgets and Grant Award Modifications (GAMs), we determined that 21 of the 24 subrecipients were not approved by BJA and were therefore unallowable, while the remaining 3 subrecipients had been approved by BJA and were therefore allowable. The 21 unapproved subrecipients received \$139,619 in grant funding. We recommend that OJP remedy \$139,619 in unallowable subrecipient costs due to the subrecipients not being appropriately authorized by BJA, as required by the grant conditions. We previously recommended that OJP require Newburyport to develop and implement adequate policies and procedures for subrecipient management.

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<sup>7</sup> The DOJ Grants Financial Guide requires grantees to receive approval prior to using grant funds to pay a consultant more than \$650 per day or \$81.25 per hour, which Newburyport exceeded when paying its research partner.

Those policies and procedures should include consideration of award special conditions related to subrecipients, such as obtaining authorization when required.

To determine whether subrecipient costs were adequately supported, we judgmentally selected a sample of 26 subrecipient expenditures, which totaled \$265,994, or 57 percent of the total subrecipient expenditures charged to both grants. Newburyport did not enforce a standard method of subrecipient reimbursement, as described in the Subrecipient Monitoring section, and also did not require written subrecipient agreements, progress reports, subaward applications, or other forms of documentation describing the work done under each subaward. We believe that because Newburyport did not implement these practices, its staff did not ensure all subrecipient expenditures had adequate support, as described below.

During our testing, we identified 2 of the 26 sampled expenditures, totaling \$35,000, lacked sufficiently detailed documentation describing the costs claimed by the subrecipients. We discussed these findings with Newburyport officials, who provided us additional documentation for these expenditures after our discussions. However, this additional documentation did not provide adequate support for the related invoices we tested.

Specifically, one invoice, valued at \$10,000, was dated May 2021, but the supporting subrecipient payroll records were dated March 2024 through October 2024. The second unsupported invoice was valued at \$25,000 and was dated January 2023, but the list of associated expenditures only totaled \$10,250 and ranged from June 2023 to June 2025. As a result, we determined that the additional support Newburyport provided was not sufficient in either case. These unsupported expenditures were a result of Newburyport's subrecipient monitoring and management deficiencies, as discussed earlier in the report. By not reviewing subrecipient costs to ensure compliance with Uniform Guidance cost principles, namely, ensuring costs have sufficient supporting documentation, Newburyport paid these invoices despite not having appropriate evidence. Therefore, we recommend that OJP remedy the \$35,000 in unsupported subrecipient costs.

### **Supply Costs**

Newburyport charged \$74,726 in grant funding to the supply cost category for the grants we audited. The city provided accounting system expenditure reports documenting these expenditures, and we found charges to the supply cost category included training supplies, items for harm reduction kits, general office supplies, and promotional items.

We selected an initial sample of 9 supply expenditures totaling \$22,618, or 30 percent of the \$74,726 in supply expenditures charged to the grants, to determine whether the expenditures were allowable and appropriately supported. When we reviewed the expenditure reports from Newburyport's accounting system, we found items charged to the supply cost category that were purchased using a purchase card but did not include a description of the expenditures associated with the total purchase amount. Because these purchases were only reported as purchase card expenditures and did not contain any descriptions, we expanded our testing to include all purchase card transactions to determine whether those charges were allowable and appropriately supported, adding an additional \$16,662 to our sample, for a total of \$39,280.

During our review, we found that \$8,818 of the expenditures we reviewed, including \$3,525 of purchase card purchases, were unallowable. Specifically, these charges included ECO promotional items and trinkets

that were given away at community events. However, we determined that the costs for such items are unallowable according to the Uniform Guidance.<sup>8</sup>

We found Newburyport charged the grants a total of \$20,187 in purchase card expenditures, including \$3,525 in swag items identified as unallowable above. As noted previously, we found that none of the purchase card line items within the expenditure report included descriptions indicating what was purchased. To expand our testing beyond the initial sample, we requested documentation supporting the remaining purchase card expenditures charged to the supply cost category. However, Newburyport did not provide documentation for these transactions. As a result, we consider the remaining \$16,662 in purchase card supply expenditures to be unsupported.

Therefore, we recommend that OJP remedy \$8,818 in unallowable promotional items and \$16,662 in unsupported supply costs.

### **Other Direct Costs**

We selected a sample of 12 expenditures, totaling \$14,495, or 9 percent of the total \$163,317, from the other direct cost budget category to determine whether the expenditures were allowable and adequately supported.

During our review, we noted that BJA had approved Newburyport's purchase of gift cards with grant funds despite gift cards being expressly prohibited in the FY 2022 COSSAP grant solicitation. Newburyport did not list gift cards in its approved FY 2022 grant budget. However, a BJA grant manager permitted the purchase of gift cards in an email exchange with Newburyport officials. Because Newburyport charged all of the gift card purchases to that grant, we determined that all \$2,000 in gift card expenditures were unallowable. We reviewed the documentation associated with the purchase of the gift cards and found Newburyport obtained the cards to assist individuals with transportation to treatment facilities. During this audit, we discussed this matter with BJA officials who acknowledged that gift cards were unallowable, as stated in the solicitation.

We identified additional unallowable costs within our sample, which consisted of \$3,750 in speaker fees for a celebrity speaker at two recovery celebration events. The costs for both events exceeded the allowable threshold for speaker fees, \$650 per day, as described in the DOJ Grants Financial Guide, and were not approved by BJA. Additionally, Newburyport did not create and maintain documentation to support its conclusion that these costs were reasonable. Therefore, we recommend that OJP remedy \$5,750 in unallowable other direct costs and require Newburyport to improve its procedures for ensuring costs charged to the grants are allowable and reasonable according to federal regulations.

In addition, we are concerned that BJA twice approved Newburyport to charge unallowable costs to the grants. In the initial instance detailed in the previous section of this report, BJA approved the proposed grant budget that included costs identified for promotional items even though such costs are specifically identified as unallowable in the Uniform Guidance. In the second instance, BJA approved Newburyport's

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<sup>8</sup> 2 CFR 200.421(e)(3) in the Uniform Guidance states that costs of promotional items and memorabilia are unallowable advertising and public relations costs. Newburyport included these items within the submitted budgets for the grants, identified as "swag items," and BJA approved the budgets. We address our concerns related to BJA's approval below in the Other Direct Costs section of this report.

plan to purchase gift cards despite such items being expressly unallowable according to the grant solicitation. We therefore recommend OJP review these instances of approvals of unallowable costs and take appropriate steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs.

### **Personnel Costs**

Newburyport charged \$489,515 in personnel costs to the grants for the salaries of ECO Recovery Coaches and overtime for Newburyport Police Department staff. ECO Recovery Coaches were an integral part of the ECO program, as they responded to critical incidents documented in ECO's database by conducting outreach and guiding recovery for those with substance use disorders. Within the Newburyport Police Department, police officers and administrative staff charged overtime to the grants when working on grant-related activities, such as ECO outreach, training, or grant administration.

We judgmentally selected 22 personnel expenditures, totaling \$70,734, or 14 percent of the personnel costs charged to the grants, to test if they were allowable, adequately supported, and properly allocated. These expenditures included both ECO Recovery Coach time charges and Newburyport Police Department overtime charges. We did not identify any issues related to the tested costs.

### **Budget Management and Control**

According to the DOJ Grants Financial Guide, grant recipients are responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, grant recipients must initiate a Grant Award Modification (GAM) for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount. We compared grant expenditures to the approved budgets to determine whether Newburyport transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

### **Drawdowns**

Grant recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for reimbursements or disbursements made immediately or within 10 days.

We determined that Newburyport requested drawdowns on a reimbursement basis. As of January 2025, Newburyport's drawdown requests totaled \$481,841 for the 2019-AR-BX-K069 award and \$950,707 for the 15PBJA-22-GG-04445-COAP award. To assess whether Newburyport managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. We did not identify deficiencies related to Newburyport's process for developing drawdown requests.

### **Federal Financial Reports**

According to the DOJ Grants Financial Guide, recipients shall report the cumulative expenditures incurred on each financial report. To determine whether Newburyport submitted accurate Federal Financial Reports, we

compared the most recent report to the accounting records for each grant.<sup>9</sup> We determined that the cumulative expenditures for the reports reviewed matched the accounting records.

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<sup>9</sup> At the time of our audit, the most recent submitted Federal Financial Reports for each grant covered the reporting period from October 1, 2024, through December 31, 2024.

## Conclusion and Recommendations

As a result of our audit testing, we concluded that there were no indications that Newburyport did not make adequate progress toward achieving the grants' stated goals and objectives. However, both Newburyport and BJA did not adhere to all the grant requirements and federal regulations, resulting in a total of \$414,699 in unallowable and unsupported grant expenditures. While we did not identify significant issues regarding personnel costs, budget management and control, drawdown processing, and Federal Financial Reports, we found that Newburyport did not comply with essential award conditions related to performance reports, single audits, and the management and costs related to its research partner and subrecipients, supply costs, and other direct costs. We also found deficiencies related to BJA's practices for guiding grantees in making subrecipient and contractor determinations and reviewing grantees' proposed costs for allowability. We provide 9 recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Take appropriate steps to ensure that BJA staff and grantees receive appropriate guidance and direction related to subrecipient/contractor classifications.
2. Review the instances of approvals of unallowable costs and take appropriate steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs.

We recommend that, for its COSSUP grants awarded to Newburyport, OJP:

3. Require Newburyport to develop and implement written policies and procedures to ensure performance reporting is limited to the work performed under the relevant award, as required.
4. Ensure Newburyport submits its FY 2023 and FY 2024 single audit reports and require Newburyport to develop and implement policies and procedures to ensure the timely completion and submission of future single audit reports to the Federal Audit Clearinghouse.
5. Require Newburyport to develop and implement policies and procedures related to subrecipient/contractor classifications.
6. Require Newburyport to develop and implement adequate policies and procedures for subrecipient management, to include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support.
7. Remedy \$388,037 in unallowable costs, which consists of \$233,850 in unallowable research partner costs, \$139,619 in unallowable subrecipient costs, \$5,750 in unallowable other direct costs, and \$8,818 in unallowable supply costs.
8. Remedy \$51,662 in unsupported costs, which consists of \$35,000 in unsupported subrecipient costs and \$16,662 in unsupported supply costs.

9. Require Newburyport to improve its procedures for ensuring costs charged to the grants are allowable and reasonable according to federal regulations.

# **APPENDIX 1: Objectives, Scope, and Methodology**

## **Objectives**

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, single audits, research partner management, subrecipient management, financial management, expenditures, budget management and control, drawdowns, and Federal Financial Reports.

## **Scope and Methodology**

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

This was an audit of the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) grants 2019-AR-BX-K069 and 15PBJA-22-GG-04445-COAP awarded to the city of Newburyport under the Comprehensive Opioid, Stimulant, and Substance Use Program (COSSUP). As of January 2025, the city had drawn down \$1,432,548 of the total grant funds awarded. Our audit concentrated on, but was not limited to, the period of September 2019 through March 2025. At the time of our audit, these grants were open, and the official end date for both was September 30, 2025.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of Newburyport's activities related to the audited grants. We performed sample-based audit testing for the city's performance reports, drawdowns, Federal Financial Reports, and grant expenditures, including research partner, subrecipient, supply, other direct, and personnel charges. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The DOJ Grants Financial Guide; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from the DOJ JustGrants system and the DOJ Data Management, Reporting, and Analytics (DMRA) system, as well as Newburyport's accounting system specific to the management of audited grant funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems were verified with documentation from other sources.

## Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the city of Newburyport to provide assurance on its internal control structure as a whole. Newburyport's management is responsible for the establishment and maintenance of internal controls in accordance with 2 C.F.R. § 200. Because we do not express an opinion on the city's internal control structure as a whole, we offer this statement solely for the information and use of Newburyport and OJP.<sup>10</sup>

We assessed Newburyport management's design, implementation, and operating effectiveness of the internal controls that we believe could affect the city's ability to effectively operate, comply with laws and regulations, and correctly state financial and performance information, as related to the audited grants. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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<sup>10</sup> This restriction is not intended to limit the distribution of this report, which is a matter of public record.

## APPENDIX 2: Schedule of Dollar-Related Findings

Description	Amount	Page
<b>Questioned Costs:</b>		
Unallowable Research Partner Costs	\$233,850	9-10
Unallowable Subrecipient Costs	\$139,619	10-11
Unallowable Supply Costs	\$8,818	11-12
Unallowable Other Direct Costs	<u>\$5,750</u>	12-13
Unallowable Costs	\$388,037	
Unsupported Subrecipient Costs	\$35,000	10-11
Unsupported Supply Costs	<u>\$16,662</u>	11-12
Unsupported Costs	\$51,662	
<i>Gross Questioned Costs<sup>11</sup></i>	<i>\$439,699</i>	
Less Duplicate Questioned Costs <sup>12</sup>	<u>(\$25,000)</u>	
<b>Net Questioned Costs</b>	<b>\$414,699</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b><u>\$414,699</u></b>	

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<sup>11</sup> **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

<sup>12</sup> One cost was questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes a \$25,000 subrecipient cost that was both unallowable and unsupported.

## APPENDIX 3: The City of Newburyport Response to the Draft Audit Report



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### **City of Newburyport OIG Audit Response**

In response to the Newburyport recommendation included in the Draft Audit Report received on January 20, 2026, the City of Newburyport provides the following reply.

Before addressing the specific recommendations, it is important to note that the COSSUP grants in question had completed a prior BJA audit within a year of this OIG audit and none of the issues raised in the OIG audit were identified as problems or brought to the attention of the City of Newburyport by BJA staff. (replying to Recommendations #3-#9 specific to Newburyport):

#### **Recommendation #3: Newburyport Disagrees with the conclusions regarding performance reporting.**

This audit focused on two separate grant awards, both of which were funded under the Comprehensive Opioid, Stimulant, and Substance Use Program (COSSUP). Regardless of which grant year focused on, each year of COSSUP funding identified a key goal of the program is to “Prevention Illicit Substance use and Misuse,” with the prevention of fatal and nonfatal overdoses a key priority.

Each of these programs had numerous goals and objectives that were key to each of the specific program models. For example, for the 2019 grant identified the following 4 goals (taken directly from the 2023 Q4 PMT Report):

1. To form a county-wide coalition for the purpose of cooperating and rendering effective and efficient services to the partner communities and surrounding areas suffering from the disease of addiction including those caused by Opioid Addiction.
2. Reduce overdoses and overdose deaths in Essex County.
3. Ensure that children who are impacted by adult drug use. Ensure that children who are impacted by adult drug overdoses and overdose deaths receive appropriate services
4. Ensure the Essex County Outreach Program operates in an efficient and effective manner and is sustainable.

The Goals for the 2022 grant are as follows (taken directly from the 2023 Q4 PMT Report):

1. Enhance the administrative infrastructure to institutionalize the Essex County Outreach program model throughout Essex County.
2. To better prepare police officers, civilian staff, and other first responders to meet the needs of those with substance use disorder.
3. Expand access to Recovery Support Resources for individuals and families struggling with substance use disorder.
4. Reduce the prevalence of fatal and non-fatal opioid overdoses in Essex County

Each of these funding initiatives has only ONE common goal, and that goal is to reduce both fatal and non-fatal overdoses. Since the reduction of both fatal and non-fatal overdoses was a priority of the solicitation itself, it should come as no surprise both grants report aggregate overdose data as a performance measure. These goals, however, are merely one of several. To propose a project focused on overdose prevention without a performance measure focused on overdoses would be illogical and ill-conceived. The auditors make the mistake of treating *outcome* measures the same as *process* or activity measures. To count an *outcome* such as fatal or non-fatal overdose is far different than a *process measure* (e.g., reporting the same grant activity for different grants). A community, for example, may have multiple BJA grants focused on crime reduction. Each of those grants would be expected to report aggregate crime data as a performance measure. But the measures that went *into producing changes* (e.g., process measures) would be expected to be different. This is no different. Just as importantly, each of the projects would stand on their own merits if that singular performance measure were removed. Meaning, the performance measure in question, while critically important, is merely one of several performance measures, measures that are ultimately nested. Please note, the total number of overdoses is actually one of the questions asked directly on the PMT report. The data reported for both grants is directly requested on the PMT, and thus, reported as requested. More expansive performance measures were reported biannually as required on the biannual PMT, and where this reporting was available, Essex County Outreach reported more expansive information on performance measures that far exceeded this singular measure.

It is also important to note that Essex County Outreach was very intentional about reporting data that could be easily replicated in case of an audit consistently overtime. In fact, the audit reinforces that key finding that all data reported was clearly operationalized and replicated when inquiries were made. The report reads, for example, "...we confirmed that the tested accomplishments described in the required reports matched the supporting documentation" (see pg. 4). At no point in time did BJA ever raise a concern or question about the similarities in this *singular measure*, even after multiple years' worth of PMT's were submitted for both grants. Had concerns been raised when staff reviewed the PMT's, the goal could have been removed from one of the grants and the merits of the programs would remain. The auditors actually reported there was "no evidence" Newburyport "was *not making progress*" (see pg. i), but merely raised criticisms of this one duplicate performance measure. While the duplicated measure was unfortunate, if BJA actually expected grantees to not report fatal and non-fatal overdoses on a grant specifically designed to prevention fatal and non-fatal overdoses, removal of the measure from one or even both programs would do little to change the assessment that both programs met or exceeded key performance measures.

**Recommendation #4: Newburyport Agrees with this recommendation**

The City is required to obtain and submit an annual single audit in accordance with the Single Audit Act and 2 C.F.R. § 200.507. The FY 2023 and FY 2024 single audits were not completed by the applicable submission deadlines due primarily to disruptions within the City's independent auditing firm, which underwent significant organizational changes during this period. The City is prioritizing completion and submission of the FY 2023 and FY 2024 single audits to the Federal Audit Clearinghouse promptly upon receipt of the auditor's reports. Going forward, the City will update its written financial policies and internal procedures to explicitly incorporate federal submission deadlines, require an annual engagement timeline with defined milestones, and assign responsibility within the Finance Department for monitoring progress and confirming timely submission

**Recommendation #5: Newburyport Disagrees with the recommendation regarding subrecipient/contractor classifications.**

Newburyport acknowledges the importance of clear written procedures for determining whether third-party relationships should be treated as subawards or contracts under the Uniform Guidance. In this case, however, the City acted in good faith based on guidance from BJA. As the draft report notes, BJA directed the City (and other COSSUP grantees using the same entity) to classify the research partner as a subrecipient. The City complied with that direction because the award budget and implementation were subject to BJA review and approval, and the City understood that failure to follow BJA's instruction could delay or jeopardize award approval. Notwithstanding the above, the City will strengthen its written policies by incorporating an explicit subrecipient/contractor determination procedure into its Financial Policies. The procedure will require staff to document the basis for each determination using the Uniform Guidance factors, retain supporting documentation, and elevate novel or ambiguous classifications for review by the Finance Department prior to submission to the grantor

**Recommendation #6: Newburyport Disagrees with the recommendation regarding subrecipient policies and procedures.**

Newburyport has established subrecipient policies and procedures which are the same as those used in other COSSUP sites. These policies and procedures include policies for subrecipient management, procedures for high-risk awards, subrecipient monitoring, and expenditure policies, along with much more. This policy was provided to, and accepted by, BJA. This policy and the associated procedures were also provided to the OIG audit team when it was requested. Therefore, there is no need to develop or implement adequate policies as they already exist.

**Recommendation #7: Newburyport Disagrees with the recommendation regarding unallowable costs AND Recommendation #8: Newburyport partially disagrees with the recommendation regarding unsupported subrecipient costs and unsupported supply costs.** (I have grouped these recommendations together as it was easiest to provide explanations).

**Research Partner:**

The City believes there are areas where the report's discussion of the research partner would benefit from clarification, particularly regarding the amounts presented and the distinction between the two awards and scopes of work.

Kelley Research Associates (KRA) has provided several services to Essex County Outreach throughout the years including: 1) Technology: Licensing access to the Critical Incident Management System (CIMS). This is a proprietary technology created by KRA used by over 300 police departments in Massachusetts; 2) Research Partner: KRA provided research partner services to ECO as a contractor in the 2019 grant and as a subaward in the 2022 grant (see conversation above in recommendation #5; 3) Project Coordination: KRA provided project coordination assistance for 9 ½ months to assist with implementation of the 2022 grant. KRA submitted a proposal/budget for the duties and the position was approved by BJA through the GAM process.

For clarity, the City notes that the research partner relationship was structured differently across the two awards. Under the 2019 award, the entity was engaged as a contractor beginning in January 2021 to provide specified database and analysis services, supported by a written proposal/quote describing qualifications, scope, deliverables, and budget. Payments for research services under the 2019 award totaled \$47,260.

KRA continued their role as a research partner for the 2022 grant but had to be reclassified as a subaward per BJA (see discussion above under Recommendation #5). KRA also submitted a proposal/quote for this position including agency qualifications, scope of work, deliverables, and a budget. All aspects of this proposal were transparent, the proposal included clear deliverables to ensure KRA was meeting the expectations of the contract, and all deliverables were met. This proposal was also attached as Attachment I to the 2022 COSSUP grant proposal. KRA's budget for research partner responsibilities for the three-year project totaled \$113,730 or \$37,910 per year.

Therefore, research partner costs total \$160,990. for both grant awards not \$386,230 as reported in the OIG audit report which would have been the research partner and project coordinator assistance for all three years but the coordinator position ended after 9 ½ months. KRA submitted proposals, scope of work, and budgets for both grants. Each contract was closely monitored by program managers to ensure KRA, like all contractors, met the terms of all contracts.

The OIG report is also incorrect when it states KRA began work with Essex County Outreach "after meeting at a research presentation (no bidding, no quotes, no competition)." KRA actually started working with ECO in 2018, prior to any COSSUP funding. At that time, KRA was introduced to ECO by two police chiefs from Plymouth County, MA and KRA provided a demonstration of the CIMS software for police chiefs and stakeholders involved in overdose prevention in Essex County. Following the demonstration, KRA submitted a proposal and quote to implement the software in Essex County. This implementation began in 2018, again prior to COSSUP funding. KRA and the ECO Project Director did indeed see each other at a COSSUP conference but that was not how the relationship originated. Following the conference, and seeing the research work KRA was doing at another COSSUP site, the ECO Coordinator requested a proposal for research services from KRA, which they provided along with a budget. Following this, in January 2021, KRA began providing research partner services to ECO.

Other funding received by KRA in addition to research partner activities includes \$63,270. for the 9 ½ months of Project Coordination assistance in 2023 and \$95,000 for the CIMS software license between 2018 and 2025.

It is important to note, the 2019 and the 2022 awards were separate contracts and should not have been combined into one by OIG. Neither of these two contracts for the two different grant awards exceeded \$250,000 as was misstated in the OIG audit report.

Finally, the audit report states auditors received an email between BJA, KRA and another COSSUP grantee that stated KRA would “be earning profits from COSSUP grant activities.” To clarify this, the email defined KRA as a “for-profit agency.” KRA does not charge any administrative fees to ECO and only invoices an hourly rate for staff time worked on the project. The OIG report states ECO did not “receive authorization for subrecipient profit.” As we just stated, KRA did not receive “profit” but was paid only an hourly wage only for research activity hours worked. Along with this, ECO took BJA’s insistence that KRA be a subaward, after they were informed of KRA’s for-profit status, and BJA’s approval of the COSSUP budget, along with attachment I (KRA’s proposal and scope of work), as BJA authorization to work with this agency.

Given all of the above, Newburyport disagrees that the \$233,850 defined as “research partner” by OIG should be returned. KRA submitted proposals and budgets, completed all work as proposed on time and within budget, and was able to supply all support documentation requested by the auditors. The OIG audit report states they “reviewed payments made to the research partner to determine if payments were appropriately supported. To perform this testing, we judgmentally selected a sample of 13 expenditures, which totaled \$77,665 or 33% of the \$233,850 paid to the contractor. We determined that the research partner costs within our sample were adequately supported.”

#### **I. Unallowable Subrecipient Costs:**

Newburyport Disagrees with the recommendation of the \$136,619 in unallowable subrecipient costs for the following reasons:

The attached materials document prior communication and actions related to the mini-grants issued as subawards (see attachment labeled: emailexchange7\_unallowable subrecipientcosts”).

While a formal GAM was not ultimately submitted, a GAM proposal for a scope change (see attachment labeled “GAM2023”) was initiated and submitted to the BJA Grant Manager regarding whether additional reporting or approvals were required. Based on the guidance received and the absence of direction to proceed further, ECO understood that mini-awards under \$30,000 did not require additional reporting and could proceed as aligned activities supporting the goals of the COSSUP awards.

Accordingly, the mini-awards were understood to be allowable under the grant parameters and not subject to additional reporting requirements. However, ECO did devise a process for mini-grant applications, grading rubric according to relevance to ECO program goals, reviewed by the ECO Advisory Board (that would be recused if conflict of interest), and other measures in place as noted in the Audit report (see pg.7).

Newburyport will work with Benefit of Balance and Link House for the other unsupported subrecipient costs specified and more concise invoicing. Corrective action for this will be taken within the next thirty days.

The \$300 Bold North Recovery and Consulting is disagreed with for the above explanation as well as it being a Recovery Coach training fee. Corrective action: Should not be in the subrecipient category.

**Additional unallowable costs (2015COAP grant):** Rainbow \$745 was discussed during the audit and supporting documents (invoice, housing scholarship application and approval process) were provided supporting this housing scholarship to the Essex House. Rainbow was the shorthand City of Newburyport memo for “Rainbow Reality Trust” which owns the sober house. This was the only housing scholarship that was questioned and listed as unallowable for unknown reasons and Newburyport disagrees with this item.

Town of Lynnfield and Town of Ipswich costs as unallowable: These appear to have been miscategorized in the accounting system as they were allowable police officer trainings and subsequent overtime costs as well as officer overtime costs for outreaches – listed as a barrier to law enforcement to free up a plainclothes officer to assist in follow ups.

## **II. Unallowable and Unsupported Supply Costs:**

2019 grant: There are multiple P card purchases that are unsupported. Corrective action: The City has assembled the supporting documentation for these purchase card transactions and will maintain it with the grant files to support allowability and documentation requirements

The unallowable P card purchase of promotional items needs further breakdown as the audit report acknowledges that “swag items” were included on multiple approved budgets as well as prior audit and ECO Director had been unaware these were not permissible as such. However, many of these items either wholly or percentage-wise were used in client support kits that are approved by the audit standards.

Additionally, the “ECO gift bags” are listed as unallowable, but these are used for outreach packets when Recovery Coaches perform outreach and door knocks with literature and other helpful resources for those in the community and Newburyport does not agree that these should be included in this list.

15PBJA grant: Newburyport does not agree that “Etched Pocket Drawstring Sportpack” is unallowable as these are the bags used in the client support kits (goal #4). The same explanation for the approved “swag items” percentage breakdown would be needed for the other disputed costs and Newburyport agrees some of these to be unallowable costs; however, prior budgets and audits had never raised issues with these expenses and we were operating under the impression that they were allowable costs.

## **III. Unallowable Other Direct Costs:**

Newburyport Disagrees with the recommendation regarding the purchase of transportation gift cards.

Gift Cards (\$2000):

The audit also raised questions about use of gift cards procured with grant funds. It is important to note the gift cards were used to procure *transportation services* (Lyft gift cards) that were *otherwise allowable* under the grant funding. No grant funds were used to buy the more typical types of gift cards such as support for food (e.g., Door Dash or other food services), clothing (e.g., Old Navy, Macy's), to general retail establishments (e.g., Target or Walmart), or online purveyors of general goods (e.g., Amazon). Observing a need for flexible transportation options, ECO saw Lyft as a low-cost and flexible way of meeting on-demand transportation needs for program participants who were being directly supported by the grant. Although Lyft and Uber now have new services geared to supporting the transportation to hospitals or medical appointments (e.g., Uber Health), these services were not available at the time.

As a matter of context to this issue, early in grant cycle, Essex County Outreach program staff began to recognize that transportation to treatment was a significant barrier that reduced the ability of program to achieve key program goals. That is, individuals with substance use disorder wishing to access treatment/treatment support were unable to access services due to limited transportation. Essex County is a large, mostly suburban county that covers over 900 square miles. Not only are the treatment options within county typically spread over a wide geographic area, detox facilities, sober housing, and other treatment centers can be located across a wider regional area (Rhode Island, New Hampshire, or Western Massachusetts). This is a significant barrier that many opioid-treatment programs have recognized in recent years.<sup>13</sup> Recognizing these challenges, Essex County Outreach focused on identifying strategies for providing transportation for clients to access treatment. Recognizing the potential for concerns related to gift cards, Essex County Outreach sought approval from the BJA grant manager. The grantee was told BJA retained the authority to approve such requests if the costs could be justified. Once the use of gift cards were approved, Essex County Outreach then developed a voucher system for tracking the requests and distribution of these gift cards. Believing these grant expenditures were approved by BJA, and thus allowable, data related to the distribution of the gift card was consistently reported on each of the subsequent PMT reports, particularly on the reports that included reporting requirements for goals/objectives.

The auditors' report clearly demonstrates Essex County Outreach sought and received approval by BJA for the transportation gift cards (email can be re-submitted if needed). Data was consistently reported on this aspect of the program model. Program staff made significant good faith efforts to ensure all expenditures related to the use of transportation-focused gift cards were approved by BJA and compliant with grant conditions.

#### **IV. Other Unallowable Direct Costs:**

In terms of the other unallowable costs, Newburyport acknowledges and agrees to the excess of \$2,150 in speaker fees needing prior approval (2019 grant) and \$350 in excess of speaker fees (15PBJKA grant) and is now aware of the parameters for speaker fees when collaborating with other agencies and projects. Corrective action: Newburyport will submit a statement and GAM if

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<sup>13</sup> Harwerth, J., Washburn, M., Lee, K., & Basham, R. E. (2023). Transportation Barriers to Outpatient Substance Use Treatment Programs: A Scoping Review. *Journal of Evidence-Based Social Work*, 20(2), 159-178. <https://doi.org/10.1080/26408066.2022.2150530>

applicable, explaining the event, the relevance of the event and the volume of audience drawn due to the celebrity and personal story of the speaker.

**9. Require Newburyport to improve its procedures for ensuring costs charged to the grants are allowable and reasonable according to federal regulations.**

Newburyport agrees with this finding. Communication among several different city departments is integral in ensuring that all requirements and regulations are being followed. Corrective Action: The City will strengthen its grant cost allowability and review procedures by formalizing cross-functional review of grant budgets, allowable cost parameters, and expenditure activity. At least quarterly, programmatic, administrative and finance staff will review actual spending against the approved budget to determine whether adjustments, approvals, or other remedies are needed. Any potential allowability questions identified through these reviews will be elevated promptly for resolution.

Respectfully,

Dani Sinclair

Detective Dani Sinclair

Newburyport Police Department

4 Green Street

Newburyport, MA 01950

(978) 462 4411 ext. 1007

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



U.S. Department of Justice

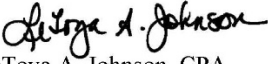
Office of Justice Programs

*Office of Audit, Assessment, and Management*

Washington, DC 20531

**February 25, 2026**

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

FROM:   
LeToya A. Johnson, CPA  
Acting Deputy Director  
Audit and Review Division

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Bureau of Justice Assistance Comprehensive Opioid, Stimulant, and Substance Use Program Grants Awarded to the City of Newburyport, Newburyport, Massachusetts*

This memorandum is in reference to your correspondence, dated January 20, 2026, transmitting the above-referenced draft audit report for the City of Newburyport (Newburyport). Newburyport received award funds from the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) Comprehensive Opioid, Stimulant, and Substance Use Program (COSSUP) Grant Numbers 2019-AR-BX-K069 and 15PBJA-22-GG-04445-COAP. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **nine** recommendations and **\$414,699** in net questioned costs. The following is OJP's 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 take appropriate steps to ensure that BJA staff and grantees receive appropriate guidance and direction related to subrecipient/contractor classifications.**

OJP agrees with this recommendation. We will coordinate with BJA to obtain support that appropriate steps were taken to ensure that BJA staff and grantees receive appropriate guidance and direction related to subrecipient/contractor classifications.

- 2. We recommend that OJP review the instances of approvals of unallowable costs and take appropriate steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs.**

OJP agrees with this recommendation. We will coordinate with BJA to obtain support that appropriate steps were taken to ensure that BJA reviews the instances of approvals of unallowable costs and takes steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs.

- 3. We recommend that, for its COSSUP grants awarded to Newburyport, OJP require Newburyport to develop and implement written policies and procedures to ensure performance reporting is limited to the work performed under the relevant award, as required.**

OJP agrees with this recommendation. We will coordinate with Newburyport to obtain its written policies and procedures for ensuring that performance reporting is limited to the work performed under the relevant award, as required.

- 4. We recommend that, for its COSSUP grants awarded to Newburyport, OJP ensure Newburyport submits its FY 2023 and FY 2024 single audit reports and require Newburyport to develop and implement policies and procedures to ensure the timely completion and submission of future single audit reports to the Federal Audit Clearinghouse.**

OJP agrees with this recommendation. We will coordinate with Newburyport to ensure that Newburyport submits its Fiscal Year (FY) 2023 and FY 2024 single audit reports to the Federal Audit Clearinghouse. In addition, we will coordinate with Newburyport to obtain its written policies and procedures for ensuring that future single audit reports are timely completed and submitted to the Federal Audit Clearinghouse.

- 5. We recommend that, for its COSSUP grants awarded to Newburyport, OJP require Newburyport to develop and implement policies and procedures related to subrecipient/contractor classifications.**

OJP agrees with this recommendation. We will coordinate with Newburyport to obtain its written policies and procedures for subrecipient/contractor classifications.

- 6. We recommend that, for its COSSUP grants awarded to Newburyport, OJP require Newburyport to develop and implement adequate policies and procedures for subrecipient management, to include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support.**

OJP agrees with this recommendation. We will coordinate with Newburyport to review its written policies and procedures for subrecipient management, to ensure that the procedures are adequate and include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support.

7. **We recommend that, for its COSSUP grants awarded to Newburyport, OJP remedy \$388,037 in unallowable costs, which consists of \$233,850 in unallowable research partner costs, \$139,619 in unallowable subrecipient costs, \$5,750 in unallowable other direct costs, and \$8,818 in unallowable supply costs.**

OJP agrees with this recommendation. We will coordinate with Newburyport to remedy the \$388,037 in unallowable costs charged to Grant Numbers 2019-AR-BX-K069 and 15PBJA-22-GG-04445-COAP, which consists of \$233,850 in unallowable research partner costs, \$139,619 in unallowable subrecipient costs, \$5,750 in unallowable other direct costs, and \$8,818 in unallowable supply costs.

8. **We recommend that, for its COSSUP grants awarded to Newburyport, OJP remedy \$51,662 in unsupported costs, which consists of \$35,000 in unsupported subrecipient costs and \$16,662 in unsupported supply costs.**

OJP agrees with this recommendation. We will coordinate with Newburyport to remedy the \$51,662 in unsupported costs charged to Grant Numbers 2019-AR-BX-K069 and 15PBJA-22-GG-04445-COAP, which consists of \$35,000 in unsupported subrecipient costs and \$16,662 in unsupported supply costs.

9. **We recommend that, for its COSSUP grants awarded to Newburyport, OJP require Newburyport to improve its procedures for ensuring costs charged to the grants are allowable and reasonable according to Federal regulations.**

OJP agrees with this recommendation. We will coordinate with Newburyport to obtain its written policies and procedures for ensuring that costs charged to the grants are allowable and reasonable according to Federal regulations.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact me on (202) 353-5744.

cc: Maureen A. Henneberg  
Deputy Assistant Attorney General  
Office of Justice Programs

Tammie Gregg  
Acting Director  
Bureau of Justice Assistance

Michelle Garcia  
Deputy Director for Programs  
Bureau of Justice Assistance

Jonathan Faley  
Associate Deputy Director  
Bureau of Justice Assistance

cc: Erich Dietrich  
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Kathryn Foreman  
Associate Deputy Director  
Bureau of Justice Assistance

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Bureau of Justice Assistance

Chris Casto  
Management and Program Analyst  
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Division Chief  
Bureau of Justice Assistance

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Grants Management Specialist  
Bureau of Justice Assistance

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Christal McNeil-Wright  
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Aida Brumme  
Manager, Evaluation and Oversight Branch  
Grants Financial Management Division  
Office of the Chief Financial Officer

cc: Louise Duhamel  
Assistant Director, Audit Liaison Group  
Internal Review and Evaluation Office  
Justice Management Division

Jorge L. Sosa  
Director, Office of Operations – Audit Division  
Office of the Inspector General

OJP Executive Secretariat  
Control Number OCOM001920

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

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the City of Newburyport (Newburyport). The Newburyport response is incorporated in Appendix 3 and the OJP response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations, and as a result, the status of the audit report is resolved. Regarding the seven recommendations for OJP's coordination with Newburyport, Newburyport agreed with two, disagreed with three, partially disagreed with one, and did not state whether it agreed with one. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

### **Recommendations for OJP:**

- 1. Take appropriate steps to ensure that BJA staff and grantees receive appropriate guidance and direction related to subrecipient/contractor classifications.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with BJA to obtain support showing that appropriate steps were taken to ensure that BJA staff and grantees receive appropriate guidance and direction related to subrecipient/contractor classifications. As a result, this recommendation is resolved.

This recommendation can be closed when we receive evidence that OJP has taken appropriate steps to ensure that BJA staff and grantees receive appropriate guidance and direction related to subrecipient/contractor classifications.

- 2. Review the instances of approvals of unallowable costs and take appropriate steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with BJA to obtain support showing that appropriate steps were taken to ensure that BJA reviewed the instances of approvals of unallowable costs and took steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs. As a result, this recommendation is resolved.

This recommendation can be closed when we receive evidence that OJP reviewed the instances of approvals of unallowable costs and took appropriate steps to ensure that BJA personnel are aware of and recipients receive accurate guidance related to unallowable costs.

## Recommendations for OJP for its COSSUP grants awarded to Newburyport:

- 3. Require Newburyport to develop and implement written policies and procedures to ensure performance reporting is limited to the work performed under the relevant award, as required.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to obtain its written policies and procedures for ensuring that performance reporting is limited to the work performed under the relevant award, as required. As a result, this recommendation is resolved.

Newburyport did not state in its response whether it agreed with our recommendation but noted disagreement with the report's conclusions regarding performance reporting. Specifically, Newburyport's response discusses the differences between "outcome measures," such as reporting the number of fatal and non-fatal overdoses, and "process measures," such as activities done under the grants, stating that outcome measures should be reported in aggregate and process measures should be differentiated by award.

While we understand this distinction and recognize that this applies to some types of reported data, Newburyport's discussion of "outcome measures" is beyond the scope of this recommendation and does not address the evidence the audit report provides in support of the recommendation. As stated in the report, we tested performance measures related to accomplishments described in the grants' required reports, which Newburyport is required to support with valid and auditable source documentation, according to the DOJ Grants Financial Guide. Further, special conditions for both grants require that performance reports be completed based on work carried out under the specific award. The method that Newburyport employed in its performance reporting resulted in duplication of measurable impact between the grants we audited, which Newburyport acknowledged in its response. As a result, Newburyport should develop a method to avoid such duplication and identify the impact that resulted from the specific awards.

This recommendation can be closed when we receive evidence of Newburyport's written policies and procedures for ensuring that performance reporting is limited to the work performed under the relevant award.

- 4. Ensure Newburyport submits its FY 2023 and FY 2024 single audit reports and require Newburyport to develop and implement policies and procedures to ensure the timely completion and submission of future single audit reports to the Federal Audit Clearinghouse.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to ensure that Newburyport submits its fiscal year (FY) 2023 and FY 2024 single audit reports to the Federal Audit Clearinghouse. In addition, OJP stated it will coordinate with Newburyport to obtain its written policies and procedures for ensuring that future single audit reports are timely completed and submitted to the Federal Audit Clearinghouse. As a result, this recommendation is resolved.

Newburyport agreed with our recommendation and stated in its response that organizational changes in the auditing firm used by the city contributed to the single audit delays. According to Newburyport's response, the city plans to update its written financial policies and internal procedures to include single audit submission deadlines, an engagement timeline with defined milestones, and assignments of responsibility for monitoring progress and confirming timely submission.

This recommendation can be closed when we receive evidence that Newburyport's FY 2023 and FY 2024 single audit reports have been submitted to the Federal Audit Clearinghouse and evidence of written policies and procedures to ensure the timely completion and submission of future single audit reports to the Federal Audit Clearinghouse.

**5. Require Newburyport to develop and implement policies and procedures related to subrecipient/contractor classifications.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to obtain its written policies and procedures for subrecipient/contractor classifications. As a result, this recommendation is resolved.

Newburyport disagreed with our recommendation and stated in its response that it acted on guidance from BJA when classifying the research partner as a subrecipient, which we also acknowledged in the report. However, Newburyport also stated that it recognized the importance of having clear written procedures related to these determinations and will work to strengthen its policies to include subrecipient/contractor determination procedures, documentation requirements, and procedures for reviewing ambiguous classifications. Newburyport's described planned actions will address this recommendation.

This recommendation can be closed when we receive evidence that Newburyport has developed and implemented policies and procedures related to subrecipient/contractor classifications.

**6. Require Newburyport to develop and implement adequate policies and procedures for subrecipient management, to include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to review its written policies and procedures for subrecipient management to ensure that the procedures are adequate and include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support. As a result, this recommendation is resolved.

Newburyport disagreed with our recommendation. In its response, Newburyport stated that it already has established subrecipient policies and procedures that were accepted by BJA and provided to the audit team. However, we reviewed these policies and procedures and determined that they were inadequate. As stated in the report, these subrecipient policies were developed for the ECO program, not for the city as a whole, despite the single audit finding recommending that the

city implement subrecipient policies. Furthermore, these policies were incomplete and did not explicitly instruct staff to perform risk assessments and to collect financial and programmatic reports, as required by the Uniform Guidance. In the report, we describe the unsupported subrecipient expenditures that we believe resulted from this lack of controls related to monitoring subrecipient financial reports, which further demonstrates the importance of implementing comprehensive policies.

This recommendation can be closed when we receive evidence that Newburyport has developed and implemented adequate policies and procedures for subrecipient management, to include assessing subrecipient risk, subrecipient monitoring, relevant special conditions, and reviewing subrecipient expenditures for allowability, appropriateness, and support.

- 7. Remedy \$388,037 in unallowable costs, which consists of \$233,850 in unallowable research partner costs, \$139,619 in unallowable subrecipient costs, \$5,750 in unallowable other direct costs, and \$8,818 in unallowable supply costs.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to remedy the \$388,037 in unallowable costs. As a result, this recommendation is resolved.

Newburyport disagreed with our recommendation in its response. In the following sections we address each part of the recommendation separately.

#### *Research Partner Costs*

Newburyport disagreed with our recommendation to remedy the \$233,850 in unallowable research partner costs. In its response, Newburyport stated that the anticipated value of Research Partner services and amounts paid to the Research Partner were inaccurate. However, the city did not provide any supporting documentation for this claim. As stated in the report, Newburyport did not follow requirements for acquiring this entity as either a subrecipient or as a contractor, which is why the total amount paid to the research partner, based on the documentation provided at the time of the audit, was questioned.

In its response, Newburyport stated that the research partner provided a proposal and quote prior to beginning work on the ECO project. However, the city did not provide the OIG with evidence of any competitive methods or procurement activities related to the research partner, as stated in the report.

Furthermore, the city stated in its response that the research partner did not receive profit. While we cannot confirm this claim because we did not review the research partner's financial records, we were provided an email from the research partner stating that the entity would draw profit from COSSUP grant activities. Although BJA was made aware of the entity's for-profit status, as Newburyport states in its response, Uniform Guidance requires explicit authorization in the terms and conditions of the award to permit subrecipient profits.

Newburyport also stated in its response that it disagrees that the \$233,850 in questioned costs related to the research partner should be returned. To clarify, we recommended that OJP remedy the questioned costs; OJP has certain discretion in how that remedy is effected. As stated in the report, OJP may choose to remedy a questioned cost in a variety of ways, including offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

#### *Subrecipient Costs*

Newburyport disagreed with our recommendation to remedy the \$139,619 in unallowable subrecipient costs. In its response, Newburyport stated that it communicated its plans for a mini-grant program with BJA and was told that additional reporting for subawards under \$30,000 was not required. However, during our review of the conditions of the grants and our conversations with BJA, we determined that specific authorization for each subrecipient was required. As stated in the report, Newburyport did not provide us with any documentation to demonstrate that 21 of the 24 subrecipients received approval from BJA.

Furthermore, the city's response stated that certain entities were miscategorized as subrecipients and therefore should not be included in the questioned cost amount. However, we based our calculations for the subrecipient questioned cost amount on the city's categorizations contained in reports from its accounting system that were provided by the city during the audit. Because Newburyport did not provide supporting documentation for these reclassifications, we have not adjusted our report.

#### *Other Direct Costs*

Newburyport disagreed with our recommendation to remedy the \$2,000 in unallowable costs related to gift cards noting that these costs were approved by BJA. Despite this approval, which we reference in the report, we determined that these costs were unallowable based on our review of the grant solicitation, which expressly prohibits the purchase of gift cards with award funds. BJA also confirmed that the gift cards were unallowable.

Newburyport acknowledged in its response that the \$2,500 in costs related to speaker fees were unallowable and stated that it would work to remedy this amount.

#### *Supply Costs*

Newburyport disagreed with our recommendation to remedy the \$8,818 in unallowable costs related to promotional items because these costs were approved by BJA in its review of the grant budget at the initiation of the grant. Despite the approval—which we reference in the report—we determined that these costs were unallowable based on our review of the Uniform Guidance, which states that costs of promotional items and memorabilia are unallowable. The city also stated that certain items included in our calculation of the questioned cost amount should not be considered unallowable because they were used for client support kits and outreach packets, but Newburyport did not provide evidence of these items' use for those purposes.

This recommendation can be closed when we receive evidence that OJP has remedied \$388,037 in unallowable costs, which consists of \$233,850 in unallowable research partner costs, \$139,619 in unallowable subrecipient costs, \$5,750 in unallowable other direct costs, and \$8,818 in unallowable supply costs.

**8. Remedy \$51,662 in unsupported costs, which consists of \$35,000 in unsupported subrecipient costs and \$16,662 in unsupported supply costs.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to remedy the \$51,662 in unsupported costs. As a result, this recommendation is resolved.

Newburyport stated that it partially disagreed with our recommendation but did not describe the reasoning for this partial disagreement. However, the city stated that it would take corrective action for both the unsupported subrecipient costs and unsupported supply costs we identified in the report.

This recommendation can be closed when we receive evidence that OJP remedied \$51,662 in unsupported costs, which consists of \$35,000 in unsupported subrecipient costs and \$16,662 in unsupported supply costs.

**9. Require Newburyport to improve its procedures for ensuring costs charged to the grants are allowable and reasonable according to federal regulations.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Newburyport to obtain its written policies and procedures for ensuring that costs charged to the grants are allowable and reasonable according to federal regulations. As a result, this recommendation is resolved.

Newburyport agreed with our recommendation. The city stated in its response that it plans to strengthen its policies and procedures related to grant expenditures and will ensure costs are reviewed at least quarterly by programmatic, administrative, and financial staff to determine whether adjustments, approvals, or other remedies are needed.

This recommendation can be closed when we receive evidence that Newburyport improved its procedures for ensuring costs charged to the grants are allowable and reasonable according to federal regulations.