



**AUDIT OF THE OFFICE OF COMMUNITY ORIENTED  
POLICING SERVICES HIRING PROGRAM GRANT  
ADMINISTERED BY THE PHILADELPHIA POLICE  
DEPARTMENT  
PHILADELPHIA, PENNSYLVANIA**

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

Audit Report GR-70-13-002  
November 2012

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**EXECUTIVE SUMMARY**

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant, 2009-RJ-WX-0074, awarded to the Philadelphia Police Department (Philadelphia), Philadelphia, Pennsylvania. This grant provided \$10,903,350 in funding to Philadelphia to hire 50 additional sworn officers.

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

We determined that Philadelphia generally complied with all essential grant requirements in the areas we tested. However, we found inaccuracies in the information Philadelphia submitted to COPS in its grant application. To select CHRP grantees, COPS developed a methodology that scored and ranked each applicant based on key data submitted by the applicant. While COPS performed some limited data validity checks, COPS relied heavily on the accuracy of the data submitted by grant applicants. As a result, we reviewed the application statistics Philadelphia submitted and found inaccuracies. We also assessed the effect of Philadelphia's inaccurate application data and determined that it did not appear to have affected the suitability of the award. However, to ensure future awards are not affected by inaccurate data, we recommend that Philadelphia enhance its procedures to ensure it submits accurate data for future award applications.

These items are discussed in further detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology appear in Appendix 1.

We discussed the results of our audit with Philadelphia officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft report from Philadelphia and COPS, and their responses are appended to this report as Appendix II and III,

respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix IV of this report.

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## **INTRODUCTION**

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant, 2009-RJ-WX-0074, awarded to the City of Philadelphia Police Department (PPD), Philadelphia, Pennsylvania. This grant, in the amount of \$10,903,350, was used to hire 50 additional officer positions.

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

### **Office of Community Oriented Policing Services**

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

### **American Recovery and Reinvestment Act**

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

The Recovery Act provided approximately \$4 billion to the Department of Justice in grant funding to be used to enhance state, local, and tribal law enforcement efforts. Of these funds, \$1 billion was provided to the COPS Office for grants to state, local, and tribal governments to hire or retain police officers.

## **COPS Hiring Recovery Program**

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

## **The City of Philadelphia, Pennsylvania**

The City of Philadelphia occupies an area of 140 square miles along the Delaware River and is the hub of a five county metropolitan area in southeast Pennsylvania. As of March 2012, the Philadelphia Police Department serves approximately 1.5 million residents and is the nation's fourth largest police department, with over 6,600 sworn members and 800 civilian personnel.

## **OIG Audit Approach**

We tested compliance with what we considered to be the most important conditions of the CHRP grant. Unless otherwise stated in our report, we applied the 2009 CHRP Grant Owner's Manual (Grant Owner's Manual) as our primary criteria during our audit. The Grant Owner's Manual serves as a reference to assist grantee agencies with the administrative and financial matters associated with the grant. It was developed by the COPS Office to ensure that all CHRP grantees understand and meet the requirements of the grant. We also considered applicable Office of Management and Budget (OMB) and Code of Federal Regulations (CFR) criteria in performing our audit. We tested Philadelphia's:

- **Application statistics** to assess the accuracy of key statistical data that Philadelphia submitted with its CHRP application.
- **Internal control environment** to determine whether the financial and accounting system and related internal controls were adequate

to safeguard grant funds and ensure compliance with the terms and conditions of the grant.

- **Personnel and fringe benefit expenditures** to determine whether the salary and fringe benefit expenditures charged to the grant were allowable, supported, and accurate.
- **Drawdowns** (requests for grant funding) to determine whether requests for reimbursements or advances, were adequately supported and if Philadelphia managed grant receipts in accordance with federal requirements.
- **Budget management and control** to determine whether Philadelphia adhered to the COPS-approved budgets for the expenditure of grant funds.
- **Reporting** to determine whether the required periodic Federal Financial Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflected grant activity.
- **Compliance with award special conditions** to determine whether Philadelphia complied with all of the terms and conditions specified in the grant award document.
- **Program performance and accomplishments** to determine whether Philadelphia achieved grant objectives and to assess performance and grant accomplishments.

Where applicable, we also test for compliance in the areas of indirect costs and matching funds. For this CHRP grant, there were no indirect costs approved and matching funds were not required.

## FINDINGS AND RECOMMENDATIONS

We determined that the Philadelphia Police Department generally complied with all of the essential grant requirements in the areas we tested. However, we found instances where Philadelphia used inaccurate data in its grant application. Any exceptions that we cited from our audit were reviewed and determined not to be systemic in nature and immaterial individually and in total. These conditions and the underlying causes are further discussed in the body of the report.

### Application Statistics

To select CHRP grantees, COPS developed a methodology that scored and ranked applicants based on data related to their fiscal and economic conditions, rates of crime, and community policing activities. In general, the applicants experiencing more fiscal and economic distress, exhibiting higher crime rates, and demonstrating well-established community policing plans received higher scores and were more likely to receive a grant. While COPS performed some limited data validity checks, COPS relied heavily on the accuracy of the data submitted by grant applicants.

In the CHRP Application Guide, COPS reminded applicant agencies to provide accurate agency information as this information may be used, along with other data collected, to determine funding eligibility. In our May 2010 report of the COPS grant selection process, we found that the validation process COPS used to ensure the accuracy of the crime data submitted by applicants was inadequate.<sup>1</sup> As a result, some agencies may have received grant funds based on inaccurate applications. However, we were unable to determine the number of applications that included inaccurate data.

During this audit, we obtained from Philadelphia documentation to verify data submitted in its 2009 CHRP grant application. Generally, Philadelphia was able to provide documentation to support the data submitted in its CHRP application for eight responses. However, in one instance Philadelphia was unable to provide documentation for an application response and in five other instances the documentation provided as support did not accurately match the application responses. For the one response that Philadelphia was not able to provide supporting documentation, we conducted our own research and gathered data that we used to determine

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



the application response was reasonable. We also determined the other five incorrect responses were due to clerical errors. City officials also told us that adjustments were made to the data after the grant application was submitted.

Because the application information was used to determine the grantee's eligibility to receive the grant, we analyzed the effect of the inaccurate data that Philadelphia submitted in its application. We determined that the inaccurate data did not appear to have affected the suitability of the award. As a result, we do not question the award of the CHRP grant to Philadelphia.

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

## **Internal Control Environment**

We began this audit by reviewing Philadelphia's accounting and financial management system to assess the organization's risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grant. We also interviewed management staff from the organization, performed payroll and fringe benefit testing, and reviewed financial and performance reporting activities to further assess the risk.

According to the Grant Owner's Manual, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost controls to ensure the optimal use of funds. Award recipients must adequately safeguard funds and assure they are used solely for authorized purposes.

As part of this audit we also considered internal controls significant within the context of our audit objectives. This included reviewing recent financial and program audits for any history of grant administration problems that would potentially affect our approach to this audit. Specifically, we reviewed Philadelphia's most recent single audit report prepared by the City of Philadelphia's Office of the Controller and met with

officials from that office to discuss issues related to our audit objectives. We also reviewed a grant audit report we issued in 2007.<sup>2</sup>

From our review of these audits, we did not identify any organizational issues related to Philadelphia's accounting and financial management system, payroll system, cost accounting system, or grant administration in general that concerned us in completing this audit.

As stated in the introduction of this report, the principal objective of the audit was to determine whether reimbursements claimed for costs under the grant were allowable and supported. Prior to those costs claimed as described in the Personnel and Fringe Benefit Expenditures section of this report, we evaluated Philadelphia's practices used to calculate and record these costs in its accounting system and later request reimbursement from COPS.

To accomplish the task of tracking expenditures related to this CHRP grant, the Grants Management Unit within the Philadelphia Police Department created a cost accounting system. This cost accounting system uses data from various sources including the payroll system used for Philadelphia's police officers.

We evaluated the reliability of this cost accounting system by verifying a sample of its payroll data with its underlying source data. Based on these tests we concluded that the cost accounting system data was reliable and we used this data in our testing of grant expenditures.

While our audit did not assess Philadelphia's overall system of internal controls, we did review the internal controls related to our principal audit objective, and we considered the internal controls related to areas listed under our audit approach. We did not identify any concerns or problems related to Philadelphia's practices and procedures for the other areas we reviewed and tested.

## **Personnel and Fringe Benefit Expenditures**

The purpose of the CHRP grant awarded to Philadelphia was to fund personnel and fringe benefit expenditures for hiring 50 new police officers for 36 months. The approved grant budget totaled \$10,903,350, including

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<sup>2</sup> U.S Department of Justice Office of the Inspector General, Office of Community Oriented Policing Services, Homeland Security Overtime Program, Grant to the City of Philadelphia Police Department, Philadelphia, Pennsylvania Audit Report GR-70-07-004 (September 2007). Audit findings from this report were related exclusively to personnel overtime expenditures. As a result, these prior findings were not relevant to this audit.

\$7,220,550 for personnel salaries and \$3,682,800 for fringe benefits. By August 2011, the CHRP-funded officers had been employed for 18 months and actual grant related charges reported by Philadelphia totaled \$4,504,325 million. We tested a sample of these expenditures to determine whether they were allowable under the approved grant budget and properly supported with documentation from Philadelphia's accounting and financial management and cost accounting systems, and its payroll system.

The 50 new officers Philadelphia hired for this CHRP grant program were divided among 3 different officer recruit classes that entered Philadelphia's Police Academy between February 2010 and March 2010. After completing 3 to 8 months of training, all 50 officers graduated from the academy and were assigned to patrol duties in one of Philadelphia's 22 community based police districts.<sup>3</sup>

### *Personnel Expenditures*

To determine whether personnel expenditures were adequately supported for the time officers were attending the academy, we tested a judgmental sample of the biweekly personnel charges of 20 grant-funded officers. Our tests included verifying the personnel rates and actual hours worked with records from Philadelphia's Office of Human Resources and attendance records from the academy. We determined the sampled personnel expenditures were accurately calculated and supported while the grant-funded officers attended the academy.

We also selected a judgmental sample of personnel charges reflecting the time officers worked in patrol duties after completing academy training. To test this sample, we used Philadelphia's Office of Human Resources records to verify pay rates and shift assignment sheets and officer patrol logs to verify hours worked. We determined the sampled personnel expenditures were accurately calculated and supported.

In addition to using academy attendance records and patrol logs to determine whether the sampled personnel expenditures were properly supported, we also used these documents to determine whether the activities underlying the expenditures were allowable according to the terms and conditions of the grant. According to CHRP guidelines, grant expenditures must be used for community policing activities which includes academy training. From our review of patrol logs for 29 officers, we

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<sup>3</sup> For recruits that have already served as sworn law enforcement officers, academy training lasts 3 months. All other recruits are required to complete 8 months of academy training.

determined these officers were engaged in training and routine policing activities that are allowable activities for CHRP grants.

### *Fringe Benefit Expenditures*

Based on our review of fringe benefit expenditures, Philadelphia charged the grant for different fringe benefits that included: (1) health insurance, (2) holiday pay, (3) life insurance, and (4) Medicare. We determined that these charges were allowable according to the approved grant budget.

To determine whether these expenditures were accurately calculated and properly supported, we verified the fringe benefit rates and the number of officers employed during any month using supporting documentation provided by Philadelphia's Office of Human Resources. We determined that these charges were accurately calculated and supported.

However, in testing fringe benefits we identified \$34,053 in expenditures that were allowable according to the grant budget but were not charged to the grant. We asked Philadelphia officials why these fringe benefit expenditures were never charged to the grant and were told that the accounting system did not have payment vouchers to support these fringe benefit expenditures. Philadelphia officials attributed the lack of support to a discrepancy in the monthly fringe benefit reporting system. Therefore, to be conservative, these expenditures were not charged to the grant when incurred. Officials told us that they would work with COPS to obtain reimbursements for these expenditures, and during our audit COPS was provided a detailed explanation of the fringe benefit reporting system and the City of Philadelphia Department of Finance's annual fringe benefit memorandum as support for the fringe benefit expenditures. On June 30, 2012, COPS gave Philadelphia permission to include these costs in the Federal Financial Report for the period ending June 2012.

In addition, there were fringe benefit expenditures specific to health insurance that were not charged to the grant. City officials informed us that in July 2010, Philadelphia switched to a self-insured healthcare program which was not originally approved in the grant budget. As discussed below, we describe the nature of the health care expenditures under the self-insured program.

## *Health Insurance Expenditures*

Officer health insurance charges were one of the fringe benefits COPS approved in Philadelphia's CHRP award budget. At the time of the approval, these health insurance charges represented payments made by Philadelphia to the Law Enforcement Health Benefits (LEHB) fund, a legally independent entity run by the local police union and city trustees to administer health care coverage with city-provided funds.

The amount of these monthly payments (\$965) for each officer was established in the current contract negotiated by Philadelphia and the local police union. Because LEHB has complete control of administering health benefits for police officers in Philadelphia, LEHB used these payments from Philadelphia to purchase health insurance for its member police officers. From our review we determined that Philadelphia used the correct amount for each officer to charge the CHRP grant between March 2010 and June 2010.

Beginning in July 2010, Philadelphia and the police union negotiated changes to police officer health care fringe benefits. Under this new self-funded model, LEHB continued to administer the health insurance benefits for police officers but no longer used payments received from Philadelphia to purchase health insurance. Instead, LEHB now invoices Philadelphia for the costs related to providing health insurance to its members. According to an official from the City of Philadelphia's Office of Human Resources, the self-funded model will result in substantial savings.

In January 2012, COPS approved Philadelphia's request to use this self-funded model to charge its CHRP grant. As part of this audit, we verified monthly costs for each grant-funded officer using the self-funded method between July 2010 and June 2011. We inspected the monthly invoices Philadelphia received from LEHB and confirmed the number of officers covered during the related month.

Although we determined these monthly costs for each officer were accurate and supported, Philadelphia did not use these amounts to charge the CHRP grant. Instead, Philadelphia officials told us they used data from its accounting and financial management system that underestimated the health insurance expenditures, and this lesser amount was charged to the grant. By our calculation, we confirmed that the grant was undercharged by an average of \$130 for each officer between July 2010 and June 2011, or by \$74,113 in total.

Philadelphia officials told us they used the lesser amounts to charge the CHRP grant because they had not yet received COPS approval to use the self-funded method and the amounts used were traceable to its accounting and financial system. In the future, officials told us they plan to use the actual costs for each officer to charge the CHRP grant.

In summary, we determined that all health insurance expenditures charged to the CHRP grant, totaling \$735,220 between March 2010 and June 2011, were allowable and supported.

## **Drawdowns**

As part of this audit, we reviewed the process Philadelphia used to request grant funding. COPS requires grantees to minimize the cash maintained on hand by requesting funds based on immediate cash disbursement needs. Even though advances are allowed, funds must be used within 10 days of an electronic transfer. As of January 2012, Philadelphia requested \$5,222,673 in CHRP grant funds.

To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed grant officials, analyzed bank statements, and reviewed documentation in support of actual expenditures. We determined that grant funds were requested on a reimbursement basis. In addition, we determined that drawdowns were requested based on actual expenditures and did not exceed grant expenditures. We found Philadelphia's drawdown process to be adequate in minimizing the time lapse between the drawdown of funds and disbursement of those funds. As a result, we found the drawdown procedures were adequate and complied with grant requirements.

## **Budget Management and Control**

Criteria established in 28 C.F.R. § 30 addresses budget controls surrounding grantee financial management systems. According to the C.F.R., grantees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, the movement of funds between approved budget categories in excess of 10 percent of the total award must be approved in advance by the awarding agency. The following table summarizes the budget for this grant by category.

**CHRP GRANT BUDGET AWARDED  
TO THE PPD**

<b>Category</b>	<b>Budget Amount</b>
Personnel	\$ 7,220,550
Fringe Benefits	3,682,800
<b>Total</b>	<b>\$10,903,350</b>

Source: COPS

During our audit, we found that Philadelphia maintained spreadsheets to monitor that the personnel expenditures and fringe benefits stayed within the approved grant budget. We compared the total personnel and fringe benefits charged to the grant from Philadelphia's accounting and financial management system to the budget categories established by COPS's final budget approval. While this grant was still in progress at the time of our audit, Philadelphia remained within the approved budget allowance for personnel and fringe benefit expenditure categories within this grant.

## **Reporting**

### *Federal Financial Reports*

The financial aspect of CHRP grants are monitored through Federal Financial Reports (FFR). According to the Grant Owner's Manual, FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period. Even for periods when there have been no program outlays, a report to that effect must be submitted. Funds or future awards may be withheld if reports are not submitted or are excessively late.

We reviewed the nine FFRs Philadelphia submitted between July 2009 and September 2011 and determined all of these reports were submitted in a timely manner.

We also reviewed these same FFRs for accuracy by comparing the amounts reported in the reports with data from Philadelphia's accounting and financial management system. We concluded that each report reflected the total expenditures in the accounting system for the period under review.

### *Progress Reports*

Progress reports provide information relevant to the performance of an award-funded program and the accomplishment of objectives as set forth in the approved award application. According to the CHRP Grant Owner's

Manual, these reports must be submitted quarterly, within 30 days after the end of the reporting periods for the life of the award.

We reviewed the quarterly progress reports Philadelphia submitted to COPS which included responses to general questions and narrative to describe the impact grant funding was having on community policing. We determined that Philadelphia's quarterly progress reports, filed between December 2009 and September 2011, stated that CHRP funding was being used to enhance community policing capacity in line with the community policing plan included in Philadelphia's grant budget. We also determined that Philadelphia's assertion that CHRP funding enhanced its community policing capacity was reasonable. Accordingly, we found the reports we reviewed to be accurately based on the documentation we reviewed.

We also tested Philadelphia's timeliness in submitting progress reports to COPS. We tested four reports submitted by Philadelphia and determined all of the reports were submitted in a timely manner.

#### *Recovery Act Reports*

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

We tested four Recovery Act reports submitted through the quarter ending September 2011 and found that the reports were timely and the data contained in the reports was accurate.

#### **Compliance with Award Special Conditions**

Award special conditions are included in the terms and conditions for a grant award and are provided in the accompanying award documentation. Special conditions may also include special provisions unique to the award. Philadelphia's CHRP grant contained a special condition requiring that funding should only be used for payment of approved full-time entry level sworn officer salaries and fringe benefits. As discussed in the Personnel and Fringe Benefit Expenditures section of this report, we found that Philadelphia used the grant for its intended purpose.



## Program Performance and Accomplishments

COPS established two performance measures for CHRP grants: (1) hiring or retaining police officer positions and (2) enhancing the community policing capacity of the police department. To evaluate performance, COPS uses quarterly progress reports describing how grantees are using CHRP funding to implement their community policing strategies and their progress hiring and rehiring officers. However, COPS does not require grantees to document the statistics used to complete questions in the progress reports and does not use the grantee's community policing capacity implementation rating, identified in the progress report, in determining grant compliance.

We determined that Philadelphia hired the 50 new officers funded by this grant in a timely manner. All 50 officers were assigned to a police district within 8 months following Philadelphia's acceptance of the grant on August 25, 2009. However, as of December 2011, 3 of these 50 officers left the police department and these vacancies had not been filled.<sup>4</sup>

Philadelphia Police officials told us they did not backfill these three vacancies because they were in the process of establishing a new baseline number of locally funded officer positions. At the conclusion of our audit, officials said they plan to fill three officer vacancies by December 2012.

In addition to analyzing how well Philadelphia filled its CHRP-funded officer positions, we assessed whether community policing capacity was enhanced as a result of this grant. COPS defines community policing as "a policing philosophy that promotes and supports organizational strategies to address the causes and reduce the fear of crime and social disorder through problem-solving tactics and police-community partnerships."

To determine whether grant-funded activities enhanced its community policing capacity; we considered information from Philadelphia's CHRP grant application, including its community policing plan, and responses to application questions regarding the intended impact of grant funding. In addition, we reviewed the quarterly progress reports Philadelphia submitted to COPS that included responses to general questions and narrative to describe the impact grant funding was having on community policing.

We compared the community policing information taken from the grant application and the progress reports with the activities supported by

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<sup>4</sup> According to Philadelphia Police officials, the three officer positions are vacant because two officers resigned and another officer returned to a previously held civilian position.

grant funded expenditures. Generally speaking, grant funded expenditures paid salary and fringe benefits of the CHRP officers while they attended the police academy and later when they were assigned to community patrol duties throughout Philadelphia.

We determined that Philadelphia's quarterly progress reports between December 2009 and September 2011 showed that Philadelphia was using the CHRP grant to enhance its community policing capacity in line with the community policing plan included in the grant application. We also determined that Philadelphia's assertions that CHRP funding was enhancing its community policing capacity were reasonable.

### **Conclusion**

We found that the Philadelphia Police Department generally complied with all of the essential grant requirements in the areas we tested. However, we found instances where Philadelphia used inaccurate data in its grant application, although it did not appear to have affected the suitability of the award. Any exceptions that we cited from our audit were reviewed and determined not to be systemic in nature and immaterial individually and in total.

### **Recommendation**

We recommend that COPS:

1. Ensure Philadelphia establishes procedures to verify that it submits accurate information for its future grant applications.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether reimbursements claimed for costs under grant 2009-RJ-WX-0074 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed grantee program performance in meeting grant objectives and overall accomplishments. We reviewed activities in the following areas: (1) application statistics, (2) internal control environment, (3) personnel and fringe benefit expenditures, (4) drawdowns, (5) budget management and control, (6) reporting, (7) compliance with grant requirements, and (8) program performance and accomplishments. We determined that indirect costs and matching funds were not applicable to this grant.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

We audited the COPS Hiring Recovery Program grant 2009-RJ-WX-0074. The grantee had a total of \$5,222,673 in requests for grant funding through January 23, 2012.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the 2009 COPS Hiring Recovery Program Grant Owner's Manual and grant award documents.

In conducting our audit, we performed testing in three areas: personnel and fringe benefit expenditures, Progress Reports, and Recovery Act Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as unique payroll and fringe benefits adjustments throughout the year. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected.

In addition, we reviewed the timeliness and accuracy of Federal Financial Reports, Progress Reports, and Recovery Act Reports; and evaluated performance to grant objectives. However, we did not test the reliability of financial management system as a whole. We tested the

reliability of the information in the accounting and financial management system, the payroll system, and the cost accounting system during the payroll verification testing. We traced a sample of the information in these various systems to supporting documentation and found the information to be reliable.

PHILADELPHIA POLICE DEPARTMENT RESPONSE TO THE  
DRAFT AUDIT REPORT



CITY OF PHILADELPHIA

POLICE DEPARTMENT  
Headquarters, Franklin Square  
Philadelphia, PA 19106

CHARLES H. RAMSEY  
COMMISSIONER

October 26, 2012

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

Dear Mr. Puerzer:

The Philadelphia Police Department wishes to thank the U.S. Department of Justice, Office of the Inspector General and the Office of Community Oriented Policing Services for the Opportunity to comment on the audit findings of the OIG in reference to COP's Hiring Recovery Program 2009-RJ-WX-0074. The Philadelphia Police Department is pleased to know that any of the exceptions that you cited from your audit were not found to be systemic in nature and was immaterial individually and in total.

While the Philadelphia Police Department agrees with the recommendation of the audit, we wish to comment on the specific discrepancies in statistics noted by the auditors in the City's application.

The Police Department would agree with the auditor's findings regarding the discrepancies noted in the City's general fund balances. The discrepancy in fund balances was due to an error in transposing the numbers by an official in the City's Finance Department when they were provided for the application. The official readily acknowledged this error to the auditors upon their review.

The discrepancies found in the unemployment application statistics, noted by the auditors, were attributable, as stated by city officials in the report, to adjustments to these statistics after the application was submitted.

The 2008 motor theft statistical discrepancy found by the auditors, namely 9058 on the FBI website versus 9054 recorded and reported by the Philadelphia Police Department cannot be explained by the Police Department. The Police Department maintained the source documents for this statistic and submitted that number to the Commonwealth and Federal authorities. The Police Department's position is that 9054 is the correct number for 2008 motor vehicle thefts in Philadelphia and that was the statistic we provided for UCR report.

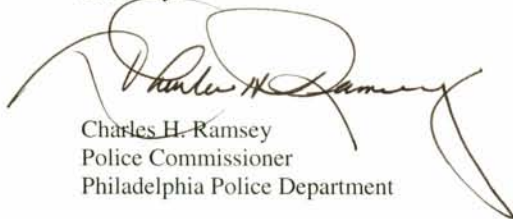
With these specific comments made, the Police Department would concur with the auditor's report on page 5, "[that the inaccurate data] did not appear to have affected the suitability of the award."

Overall, the Police Department does acknowledge the statistical discrepancies found by the OIG, small, and immaterial to the award as they may be. Therefore the Police Department would agree with the OIG recommendation that "Philadelphia establishes procedures to verify that it submits accurate information for its future grant applications."

The Police Department will, beginning immediately, require retaining copies of all source documents of application data as part of the grant file records. This would provide and preserve a "snapshot" of the data gathered and submitted at the time of application. This process would serve the dual purpose of verifying the accuracy of application data and preserving the snapshot of data at the time of submission to answer for any revisions that may occur between the time of application and subsequent audit.

Again, the Police Department expresses our gratitude to the DOJ for the funding provided by this CHRP grant and the opportunity to comment on the findings contained in the OIG audit report.

Sincerely,



Charles H. Ramsey  
Police Commissioner  
Philadelphia Police Department

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



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



MEMORANDUM

Via E-Mail

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

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

Date: November 6, 2012

Subject: Response to the Draft Audit Report for the Hiring Recovery Program (CHRP)  
 Grant to the Philadelphia Police Department, Philadelphia, Pennsylvania  
 COPS CHRP Grant 2009RJWX0074

This memorandum is in response to your draft audit report, dated September 21, 2012, for the Philadelphia Police Department (PPD), Philadelphia, PA. For ease of review, each audit recommendation is stated in bold and underlined, followed by COPS' response to the recommendation.

**Recommendation 1: Ensure Philadelphia establishes procedures to verify that it submits accurate information for its future grant applications.**

COPS concurs that PPD should establish procedures to verify that it submits accurate information for future grant applications.

**Planned and Completed Actions:**

After review of your report and the grantee's response, PPD has instituted a mandatory records retention requirement whereby copies of all source documents of applications data are maintained as part of the grant file records. The process will serve as data validity and reliability information from the time of application and/or revisions throughout the grant implementation life cycle.

**Request**

Based on the discussion, planned and completed actions, COPS requests closure of Recommendation 1, thereby closing the entire audit report.

The COPS Office would like to thank you for the opportunity to review and respond to the draft audit report.

ADVANCING PUBLIC SAFETY THROUGH COMMUNITY POLICING



Thomas O. Puerzer, Regional Audit Manager, Philadelphia Regional Audit Office  
November 6, 2012

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If you have any questions, please contact me at (202) 514-6563.

cc: Thomas O. Puerzer (copy provided electronically)  
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### OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to the Philadelphia Police Department (Philadelphia) and the Office of Community Oriented Policing Services (COPS) for review and comment. Philadelphia's response is included as Appendix II of this final report, and COPS's response is included as Appendix III. The following provides the OIG analysis of the responses. Based on the OIG's analysis of the responses, this audit report is issued closed.

#### Recommendation Number

1. **Closed.** Philadelphia and COPS concurred with our recommendation to ensure Philadelphia establishes procedures to verify that it submits accurate information for its future grant applications.

In its response, Philadelphia stated that it has instituted a mandatory records retention requirement, whereby copies of all source documents of application data are maintained as part of the grant file (records). This process was designed to serve the dual purpose of verifying the accuracy of application data and preserving the snapshot of data at the time of submission to answer for any revisions that may occur between the time of application and subsequent audit.

This recommendation is closed.