



**AUDIT OF THE  
OFFICE OF JUSTICE PROGRAMS  
EDWARD BYRNE MEMORIAL  
JUSTICE ASSISTANCE GRANT PROGRAM GRANT  
AWARDED TO THE  
CITY OF LONG BEACH, CALIFORNIA**

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

Audit Report GR-90-10-001  
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**EXECUTIVE SUMMARY**

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Edward Byrne Memorial Justice Assistance Grant (JAG) Program grant (2008-DJ-BX-0229), awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance, to the City of Long Beach, California (Long Beach). Long Beach used the JAG grant to fund probation officer services obtained through a contract with the County of Los Angeles Probation Department. The goal was to utilize the services of a specially trained and selected Deputy Probation Officer from the County of Los Angeles to assist the Long Beach Police Department in its gang enforcement operations. The ultimate goal of this effort was to make Long Beach a safer city. OJP awarded a total of \$124,223 to fund 1-year's worth of probation officer services within a 4 year period. As of April 19, 2010, Long Beach had expended \$68,403 (55 percent) of the grant award.<sup>1</sup>

The purpose of the Bureau of Justice Assistance's JAG Program is to enable states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. JAG funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and criminal justice information systems in any one or more of the following purpose areas:

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

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<sup>1</sup> We began our audit of Grant 2008-DJ-BX-0229 on April 19, 2010, which is also referred to as the start of audit fieldwork.

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

## **Audit Results**

The purpose of our audit was to determine whether costs claimed under Grant 2008-DJ-BX-0229 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) cash management; (3) grant expenditures; (4) budget management and control; (5) matching; (6) property management; (7) program income; (8) Financial Status Reports and Progress Reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of sub-grantees and contractors. We determined that indirect costs, budget management and control, property management, program income, and management of sub-grantees were not applicable to this grant.

As a result of our audit, we found that Long Beach's financial management system provided adequate recording and reporting of grant-related activities. For the one grant drawdown that was available for review, we found it to be adequately supported and Long Beach was managing the grant receipt in accordance with federal requirements. The Financial Status Reports and Progress Reports that we reviewed were submitted in a timely manner and all Financial Status Reports were accurate. However, we noted the following exceptions:

- \$68,403 in grant expenditures lacked adequate support;
- \$548 of overtime billed to the grant exceeded the overtime rate as specified in the related contract;
- administrative costs charged to the grant exceeded grant limits by \$5,035 and Long Beach was expected to pay another \$5,035 in the future in excess of grant limits;
- Long Beach lacked policies or procedures related to monitoring contractors and it lacked sufficient evidence that it monitored its contractor, the County of Los Angeles Probation Department; and

- the annual Progress Report for calendar year 2009 did not accurately report information on the work being performed under the grant.

These items are discussed in detail in the Findings and Recommendations section of the report. Our report contains seven recommendations to OJP. We discussed the results of our audit with Long Beach officials and have included their comments in the report, as applicable. In addition, we requested from Long Beach and OJP written responses to our draft report, which are included in this report as appendices II and III, respectively. Our audit objective, scope, and methodology are discussed in Appendix I.

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## INTRODUCTION

The U.S. Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of the Edward Byrne Memorial Justice Assistance Grant (JAG) Program grant (2008-DJ-BX-0229), awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), to the City of Long Beach, California (Long Beach). Long Beach used the JAG grant to fund probation officer services obtained through a contract with the County of Los Angeles Probation Department. The goal was to utilize the services of a specially trained and selected Deputy Probation Officer from the County of Los Angeles to assist the Long Beach Police Department in its gang enforcement operations. The ultimate goal of this effort was to make Long Beach a safer city. As shown in the table below, OJP awarded a total of \$124,223 to fund 1-year's worth of probation officer services within a 4 year period. As of April 19, 2010, Long Beach had expended \$68,403 (55 percent) of the grant award.<sup>2</sup>

### EXHIBIT 1 JUSTICE ASSISTANCE GRANT AWARDED TO LONG BEACH

GRANT AWARD NUMBER	AWARD START DATE	AWARD END DATE <sup>3</sup>	AWARD AMOUNT
2008-DJ-BX-0229	10/01/07	09/30/11	\$124,223

Source: OJP

The purpose of our audit was to determine whether costs claimed under Grant 2008-DJ-BX-0229 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) cash management; (3) grant expenditures; (4) budget management and control; (5) matching; (6) property management; (7) program income; (8) Financial Status Reports (FSR) and Progress Reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of sub-grantees and contractors. We determined that indirect costs, budget management and control, property management, program income, and management of sub-grantees were not applicable to this grant.

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<sup>2</sup> We began our audit of Grant 2008-DJ-BX-0229 on April 19, 2010, which is also referred to as the start of audit fieldwork.

<sup>3</sup> The Award End Date includes all time extensions that were approved by OJP.

## Background

Long Beach is located in the southern portion of the state of California, approximately 20 miles south of downtown Los Angeles, along the Pacific Coast within Los Angeles County. Long Beach has a population of nearly half a million and covers approximately 50 square miles. It is home to the busiest cargo port on the West Coast. The Long Beach Police Department has nearly a thousand police officers. In calendar year 2009, Long Beach experienced 28,086 total crimes, which included 15,896 violent crimes and 12,190 property crimes. In addition, according to Long Beach's grant application, Long Beach has over 55 gangs that include more than 6,000 primary members and 2,000 secondary and affiliated members. Of these, six gangs have 301 to 800 members and seven gangs have 100 to 300 members. There are approximately 6,100 parolees and 5,100 adult and juvenile probationers in Long Beach.

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

The purpose of the BJA's JAG Program is to enable states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. JAG funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and criminal justice information systems in any one or more of the following purpose areas:

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

Long Beach received JAG funds for 3 years prior to being awarded Grant 2008-DJ-BX-0229. Similar to the previous grants, the grant we audited was designated to pay for 1-year's worth of contractual probation services from the County of Los Angeles. Under the terms of the contract, the County of Los Angeles Probation Department agreed to assign a Deputy Probation Officer to work alongside police officers at the Long Beach Police Department. According to the grant application, Long Beach planned to use the services of the Los Angeles County Deputy Probation Officer as part of its gang enforcement efforts. The overall goal of the contract was to provide a full range of probation services, from enforcement presence on the streets of Long Beach to counseling and resource referrals for adult and juvenile probationers, their families, and pre-delinquent youth. The ultimate goal of this effort was to make Long Beach a safer city.

### **OIG Audit Approach**

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

- **Internal control environment** – to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard grant funds and ensure compliance with grant terms and conditions.
- **Grant drawdowns** – to determine whether grant drawdowns were adequately supported and if Long Beach was managing grant receipts in accordance with federal requirements.
- **Grant expenditures** – to determine whether costs charged to the grant were accurate, adequately supported, and allowable.
- **Compensation reasonableness** – to determine whether salaries paid by the grant were reasonable.
- **Matching** – to determine whether the grantee's match conformed to grant requirements.
- **Financial Status Reports and Progress Reports** – to determine if the required FSR and Progress Reports were submitted on time and accurately reflected grant activity.



- **Grant requirements** – to determine whether Long Beach complied with grant award guidelines and grant solicitation criteria.
- **Program objectives and accomplishments** – to determine whether Long Beach made a reasonable effort to accomplish stated objectives.

The results of our audit are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix I.

## **FINDINGS AND RECOMMENDATIONS**

We found that Long Beach did not maintain adequate support for \$68,403 claimed under Grant 2008-DJ-BX-0229. Also, we found \$548 in grant expenditures that related to instances of overbilled overtime for the contracted Deputy Probation Officer. Further, Long Beach exceeded grant limits by paying \$5,035 in administrative costs. As a result, we questioned \$73,986. In addition, we identified another \$5,035 in administrative costs that we anticipate Long Beach will charge to the grant and that will likewise exceed grant limits. Although Long Beach timely submitted accurate quarterly FSRs, it did not accurately report the progress made in its 2009 Progress Report. Lastly, we noted that Long Beach did not have procedures in place for monitoring contractors and there was a lack of documentation to evidence that Long Beach was monitoring its contractor, the County of Los Angeles Probation Department and its Deputy Probation Officer.

### **Internal Control Environment**

We reviewed Long Beach's policies and procedures, Single Audit Report, and financial management system to assess the city's risk of noncompliance with laws, regulations, guidelines, terms and conditions of the grant. We also interviewed individuals from the Long Beach's grant management, accounting, and audit staff regarding internal controls and processes in the payroll, purchasing, and accounts payable functions and observed the financial management system, as a whole, to further assess risk.

Our review of any potential internal control issues disclosed in the Single Audit Report or found in our review of Long Beach's financial management system are discussed below in the Single Audit section and Financial Management section, respectively. We reviewed Long Beach's policy for grants processing and determined that Long Beach has complied with the grant processing policy for the grant that we audited. In addition, we reviewed the City's accounting system and determined that it adequately tracked grant receipts and expenditures and that all grant-related activities were separately accounted for in the system. We interviewed Long Beach officials in charge of the grant to obtain an understanding of Long Beach's internal controls. As a result, we discovered that there was an internal

control weakness in the payment approval process for the two grant-related expenditures that we reviewed. We discuss this issue in the Grant Expenditures section of this report. We also found no evidence that Long Beach was monitoring its contractor, the County of Los Angeles Probation Department, during the grant period. We discuss this issue in the Monitoring Contractor section of this report.

### *Single Audit*

According to Office of Management and Budget (OMB) Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a single audit conducted. At the start of our fieldwork, the most recent single audit available for Long Beach was for FY 2008.<sup>4</sup> The FY 2009 single audit for Long Beach had not been issued when we began our audit fieldwork. We reviewed Long Beach's FY 2008 Single Audit Report and found that it disclosed eight significant deficiencies on internal controls related to major programs and to financial reporting. None of the eight significant deficiencies directly related to any JAG funds or DOJ grant funds. Long Beach has already corrected some of these significant deficiencies and they have provided planned corrective action for the remaining deficiencies. We assessed the risk of these deficiencies on our audit of Grant 2008-DJ-BX-0229 and determined that these deficiencies did not increase the risk or the scope of our audit.

### *Financial Management System*

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

Except for the lack of adequate supporting documents that we discuss later in the Grant Expenditures section of this report, we found that Long Beach adequately maintained grant-related financial records and data. Also, Long Beach utilized an accounting system entitled "Financial Accounting and Management Information System." Based on our overall review of grant-related transactions that were recorded in this system, we found that the system accurately accounted for grant-related receipts and expenditures.

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<sup>4</sup> Long Beach's fiscal year (FY) is from October 1 through September 30.

Further, grant-related transactions (receipts and expenditures) were separately tracked from all other funding.

## **Drawdowns**

Before the initial drawdown of grant funds, Long Beach was required to notify OJP that it has met the local governing body review and community notification requirements. On August 11, 2009, Long Beach notified OJP that it had satisfied this grant special condition. Further, as of April 19, 2010, Long Beach had made only one drawdown in the amount of \$34,122. This sole drawdown was made on a reimbursement basis and it was supported by its accounting records.

## **Grant Expenditures**

We reviewed Long Beach's grant-related general ledger and noted that there were only two grant-related expenditures, totaling \$68,403. The two expenditures comprised of two payments made on the contract with the County of Los Angeles Probation Department. Each payment had an invoice associated with the transaction and it included charges for a Deputy Probation Officer's regular salary, fringe benefits, and overtime. In addition, \$22,493 of the \$68,403 represented what was described as support staff services.<sup>5</sup>

In testing the two grant-related expenditures, we compared the Deputy Probation Officer's regular salary to the approved County of Los Angeles salary schedule and found that the annual salary of the Deputy Probation Officer fell within the approved salary range for the County of Los Angeles. This meant that the Deputy Probation Officer's regular salary rate was reasonable according to the County's approved salary schedule.

Even though there was an invoice for each of the two expenditures, we found that the two transactions were inadequately supported. Long Beach received a one page invoice for each transaction from the County of Los Angeles Probation Department. These invoices' detail included information such as the billing period, a total amount for the Deputy Probation Officer's regular salary, fringe benefits, and support staff services, and a separate amount for overtime. There was no breakdown between the regular salary, fringe benefits, and support staff services. Also, there was no support that accompanied the invoices such as timesheets, time cards, or certifications that the Deputy Probation Officer worked full-time on the grant. The lack of

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<sup>5</sup> We discuss support staff services in more detail in the Compliance with Grant Requirements section of this report.

adequate support was especially important for the overtime claimed because there was nothing to verify the amount billed by the County to Long Beach. Long Beach officials stated that the County of Los Angeles Probation Department did not provide supporting documentation with its invoices. However, Long Beach officials also acknowledged that they did not request or insist on receiving supporting documentation from the County. Long Beach felt that support from the County was unnecessary as they work with the Deputy Probation Officer on a daily basis. As a result of the lack of adequate support for these two transactions, we question the total of these invoices for \$68,403.

Moreover, as we reviewed the two expenditures, we noted an internal control weakness in Long Beach's payment authorization process. Specifically, Long Beach paid both invoices without identifying the need for adequate support. Long Beach officials could have requested of the County the Deputy Probation Officer's time records prior to approving payment of the invoices, but they failed to do so. We asked Long Beach Officials to comment on this internal control weakness and they responded by stating that they have strengthened internal controls to include a requirement that time records on similar transactions need to be reviewed before payment is made.

Further, we found that both expenditures included instances of over-billing. The overtime rate stated on the invoices did not match the overtime rate stipulated in the contract; the invoices included an overtime rate of approximately \$64 per hour while the contract stipulated an overtime rate of approximately \$54 per hour. As a result, we determined that the two payments on the contract were overstated by \$548. Long Beach officials were not aware of the overbilling until we brought it to their attention. We asked Long Beach officials to comment on this and to explain why it did not catch this discrepancy before making payment on the overbilled invoices. The grantee was not able to provide us with a reason on not discovering the overtime rate discrepancy before making payment on the invoices. Therefore, we question the \$548 related to the overbilling of the Deputy Probation Officer's overtime.

## **Matching**

According to OJP's grant award documents and the grant solicitation, Long Beach was not required to provide a match for this grant. Nevertheless, Long Beach plans to provide a local match of \$15,777 to cover the difference in anticipated costs that will exceed the grant award amount. Long Beach Officials stated that they would use a State of California Community Oriented Policing Services grant to fund the voluntary local match amount. As of

April 19, 2010, Long Beach has not made any match payments for grant related expenditures.

## Reports

According to the *OJP Financial Guide*, award recipients are required to submit both quarterly FSRs and annual Progress Reports. These reports describe the status of the funds, compare actual accomplishments to the objectives of the grant, and report other pertinent information. We reviewed the FSRs and the Progress Reports submitted by Long Beach to determine whether each report was accurate and timely submitted to OJP.

### *Financial Status Reports*

According to the *OJP Financial Guide*, the quarterly FSRs are due no later than 45 days after the end of the quarter, with the final FSR due within 90 days after the end date of the award. We reviewed the timeliness of the last four FSRs submitted during the award period for the grant. Based on our review, we found that Long Beach submitted each report in a timely manner.

#### **EXHIBIT 2 FINANCIAL STATUS REPORT HISTORY FOR GRANT 2008-DJ-BX-0229**

Report No.	Reporting Period	Report Due Date	Date Submitted	Days Late
1	01/01/09 - 03/31/09	05/14/09	05/14/09	0
2	04/01/09 - 06/30/09	08/14/09	08/11/09	0
3	07/01/09 - 09/30/09	11/14/09	11/12/09	0
4	10/01/09 - 12/31/09	02/14/09	01/19/09	0

Source: Long Beach and OJP

We also reviewed each FSR to determine whether the report contains accurate information related to actual expenditures, un-liquidated obligations incurred during the reporting period, and cumulative expenditures for the award. Based on our review, we found that the FSRs submitted were accurate.

### *Annual Progress Reports*

The *OJP Financial Guide* requires grantees to submit Progress Reports semiannually for discretionary awards and annually for block or formula awards. Since this grant is a formula grant award, it is subject to the annual requirement. We reviewed the last two Progress Reports submitted during

the award period for the grant, and found that Long Beach submitted each report in a timely manner.

**EXHIBIT 3  
PROGRESS REPORT HISTORY FOR  
GRANT 2008-DJ-BX-0229**

<b>Report No.</b>	<b>Reporting Period</b>	<b>Report Due Date</b>	<b>Date Submitted</b>	<b>Days Late</b>
1	10/01/07 - 12/31/08	03/31/09	02/23/09	0
2	01/01/09 - 12/31/09	03/31/10	02/02/10	0

Source: Long Beach and OJP

The *OJP Financial Guide* states that:

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

We found no discrepancies with Long Beach's first Progress Report, which covered calendar year 2008. However, on Long Beach's second Progress Report, which covered calendar year 2009, we found that the report contained inaccurate responses. Specifically, we found two questions that were related to the grant's objectives but were marked as not applicable. We asked Long Beach officials why accurate responses were not provided on the two questions in the annual Progress Report. Long Beach officials stated that they were not aware of the relevant documentation, such as the Deputy Probation Officer's monthly performance measures summary, that was available to them when preparing the annual Progress Report. As a result, OJP did not receive from Long Beach a complete assessment of the grant's progress.

### **Compliance with Grant Requirements**

We reviewed Long Beach's compliance with specific program requirements in the grant solicitation as well as special conditions included in its grant award. Generally, Long Beach complied or was complying with grant requirements. However, we found one instance where Long Beach had paid and planned to continue paying for administrative cost above the required limit that was stipulated in the grant solicitation.

The grant solicitation stated that “a unit of local government may use up to 10 percent of the award for costs associated with administering JAG funds.” However, we found that Long Beach had allocated \$22,493, or approximately 18 percent of the total grant award, for supporting staff services related to its probation officer services contract with the County of Los Angeles Probation Department. Based on our assessment, the support staff services that the County has billed and plans to continue to bill Long Beach is in essence administrative in nature and therefore meets the description found in the grant solicitation. Long Beach officials disagreed with our assessment and stated that it did not consider the cost of the County’s support staff services as being administrative costs, but rather part of the contractual arrangement and that these costs should be considered contractual expenditures. We disagree with Long Beach’s understanding of these costs. Although the support staff services that the County has billed and plans to continue billing are related to the contract between Long Beach and the County of Los Angeles Probation Department, these costs are in essence administrative in nature. Further, given that the entire grant is devoted to paying for the contract with the County, we view the administrative costs that the County bills Long Beach as meeting the definition that is found in the grant solicitation— as “...costs associated with administering JAG funds.” As a result, we question \$5,035, or the amount that Long Beach already paid to the County for support staff services above the 10 percent limit. Further, given that Long Beach intends to pay a total of \$22,493 to the County for support staff services as part of its contractual arrangement, we consider an additional \$5,035 as funds that will be paid for these administrative costs above the 10 percent limit as funds that can be put to better use.

### **Program Performance and Accomplishments**

According to Long Beach’s grant application, Long Beach planned to use the grant award to fund a contract with the County of Los Angeles Probation Department in order to obtain probation officer services to aid its local law enforcement efforts. We found that Long Beach followed through on its plans by contracting with the County of Los Angeles Probation Department. To that end, a Los Angeles County Deputy Probation Officer was assigned to the Long Beach Police Department as directed by the contract.

Moreover, some of the duties of the County’s Deputy Probation Officer were supposed to include: (1) daily ride-alongs with gang suppression officers, (2) arresting juveniles and adults for probation violations, (3) warrant enforcement, (4) gathering gang intelligence, (5) conducting home calls, (6) conducting drug test, (7) confiscating contraband, (8) visiting schools, (9) conducting probation searches of persons, vehicles



and residences, as well as (10) making hundreds of contacts with both probationers and non-probationers. Additionally, the Deputy Probation Officer was supposed to be available at all hours via cell phone, and was supposed to process probation holds and verify probation status with his or her special County-issued laptop computer.<sup>6</sup>

We interviewed the Deputy Probation Officer as well as officers from the Long Beach Police Department to determine whether the County's Deputy Probation Officer was in fact performing the duties listed above. Further, we reviewed documents, such as the Deputy Probation Officer's monthly performance measures summary and bi-annual progress reports. We determined that the Deputy Probation Officer was performing for Long Beach the duties listed above.

### **Monitoring of Contractor**

The *OJP Financial Guide* states that grantees are required to "...ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements." Additionally, Title 28 CFR § 66.36 requires that grantees "maintain a contract administration system which ensures that contractors perform in accordance with terms, conditions, and specifications of their contracts or purchase orders."

In the Grant Expenditures section of this report, we described Long Beach's failure to maintain adequate supporting documentation on the two expenditures in the grant, which were payments on Long Beach's contract with the County of Los Angeles Probation Department. Specifically, we stated that Long Beach was billed for a Los Angeles County Deputy Probation Officer's regular salary, fringe benefits, and overtime as well as support staff services. However, Long Beach did not maintain documentation that would support the time worked by the Deputy Probation Officer or the amount being charged for support staff services. Both of the expenditures were approved for payment without any evidence to indicate that someone at Long Beach or at the Long Beach Police Department was actually monitoring the hours being worked by the County's Deputy Probation Officer. Likewise, Long Beach believed it was acceptable to pay for support staff services, even though these administrative costs exceeded the 10 percent limit as stipulated in the grant solicitation and adequate support documentation

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<sup>6</sup> A probation hold is placed by the Deputy Probation Officer on an adult probationer who is believed to be in violation of the terms of his or her probation. The probation hold precludes a probationer from being release on bail before the matter is heard by a judge.

was lacking.<sup>7</sup> Based on these findings, Long Beach lacked adequate documentation or evidence to indicate that it was properly monitoring its contractor, the County of Los Angeles Probation Department and its Deputy Probation Officer. Long Beach Police Department Officials stated that because they worked with the Deputy Probation Officer on an almost daily basis, they felt that their observation of the Deputy Probation Officer was sufficient evidence for them to approve the county's invoices.

The lack of evidence of Long Beach's monitoring of the County of Los Angeles Probation Department and its Deputy Probation Officer led us to ask Long Beach Officials whether there were any policies or procedures requiring monitoring of contractors. According to Long Beach officials, there were no policies or procedures that required the monitoring of contractors or the maintaining of evidence of its monitoring efforts. The lack of such policies and procedures is an internal control weakness in Long Beach's monitoring efforts over contractors. We recommend that Long Beach implement policies and procedures that would strengthen internal controls in this area. Long Beach officials stated that the Long Beach Police Department will document the monitoring of the contractor by initialing and making corrections, if necessary, to each of the Deputy Probation Officer's timecards. Additionally, the Long Beach Police Department will review the invoice costs to determine whether it is in accordance to the terms of the contract.

## **Conclusion**

We examined Long Beach's grant-related accounting records, FSRs, Progress Reports, and operating policies and procedures and found that the financial management system provides for the adequate recording and reporting of grant-related activities. For the one grant drawdown that was available for review we found it to be adequately supported and Long Beach was managing the grant receipt in accordance with federal requirements. The FSRs and Progress Reports that we reviewed were submitted in a timely manner and all FSRs were accurate.

However, the two transactions that we reviewed, totaling \$68,403, were not adequately supported. The transactions related to payments made on a contract for the services of a Los Angeles County Deputy Probation Officer. As such, there were no records other than brief invoices to support the amount of time that the Deputy Probation Officer charged to the grant. Further, \$548 of overtime billed to the grant exceeded the overtime rate as specified in the contract. Further, a portion of the contract payments that Long Beach charged

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<sup>7</sup> For a more detailed discussion regarding the support staff services that the County of Los Angeles billed to Long Beach, please see the Compliance with Grant Requirements section of this report.

to the grant related to support staff services. Based on the nature of these transactions, we considered them administrative costs and therefore subject to limitations. The total amount paid for these costs exceeded grant limits on administrative costs by \$5,035. Since the contract was not completed by the time we began our fieldwork, we calculated another \$5,035 in administrative costs that Long Beach was expected to charge to the grant that likewise would exceed grant limits. We concluded that an internal weakness existed in Long Beach's efforts to monitor its contractor based on the findings described above, the lack of policies or procedures at Long Beach related to monitoring contractors, and the lack of sufficient evidence documenting Long Beach's monitoring of its contractor, the County of Los Angeles Probation Department and its Deputy Probation Office. Lastly, the annual Progress Report for calendar year 2009 did not accurately report the information on the work being performed under the grant. Altogether, we made seven recommendations to OJP to address these findings.

### **Recommendations**

We recommend that OJP:

1. Remedy \$68,403 in questioned costs for inadequately supported contractual payments.
2. Remedy \$548 in questioned costs for overbilled Deputy Probation Officer overtime.
3. Ensure that Long Beach strengthens its internal controls related to its approval and authorization of vendor invoices and payments.
4. Ensure that Long Beach submits to OJP accurate and complete annual Progress Reports.
5. Remedy \$5,035 in questioned costs that exceeded the allowable limits for administrative costs charged to grant as the County of Los Angeles' support staff services.
6. Remedy \$5,035 in Funds to Better Use that is anticipated to be paid by Long Beach and that exceed allowable limits for administrative costs charged to the grant as the County of Los Angeles' support staff services.
7. Ensure that Long Beach strengthens its internal controls by establishing written policies and procedures for monitoring contractors.

## SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	<u>AMOUNT (\$)</u>	<u>PAGE</u>
<b>Unsupported Costs</b>		
Unsupported Contractual Expenditures	\$68,403	8
<b>Unallowable Costs</b>		
Overbilling of Overtime	\$548	8
Administrative Cost Overage	<u>\$5,035</u>	11
<b>Subtotal of Unsupported and Unallowable Costs</b>	<b>\$73,986</b>	
Less: Adjustment to match total drawdowns	<u>&lt;39,864&gt;</u>	
<b>TOTAL QUESTIONED COSTS</b>	<b>\$34,122</b>	
 <b>FUNDS PUT TO BETTER USE:</b>		
Future Administrative Cost Overage	<u>\$5,035</u>	11
<b>TOTAL DOLLAR RELATED FINDINGS</b>	<b><u>\$39,157</u></b>	

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

**Funds Put to Better Use** are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations

## OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether costs claimed under Grant 2008-DJ-BX-0229 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) cash management; (3) grant expenditures; (4) budget management and control; (5) matching; (6) financial status and progress reports; (7) property management; (8) program income; (9) grant requirements; (10) program performance and accomplishments; and (11) management of subgrantees and contractors. We determined that indirect costs, budget management and control, property management, indirect costs, program income, and management of subgrantees were not applicable to this grant.

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

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of Grant 2008-DJ-BX-0229 in October 2007 through March 2010. Further, the criteria we audited against are contained in the *OJP Financial Guide*, Code of Federal Regulations, Office of Management and Budget Circulars, and specific program guidance, such as award documents and the grant solicitation.

We did not test internal controls for Long Beach taken as a whole or specifically for the grant program administered by the Long Beach Police Department. An independent Certified Public Accountant conducted an audit of Long Beach's financial statements. The results of this audit were reported in the Single Audit Report that accompanied the Independent Auditors' Report for the year ending September 30, 2008. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to Long Beach or the federal programs it was administering, and assessed the risks of those findings have on our audit.

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

GRANTEE RESPONSE



CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (562) 570-0711 • FAX (562) 570-6583

PATRICK H. WEST  
CITY MANAGER

August 24, 2010

David J. Gaschke  
Regional Audit Manager  
Office of the Inspector General  
U.S. Department of Justice  
1200 Bayhill Drive, Suite 201  
San Bruno, California 94068

Dear Mr. Gaschke:

This letter addresses your draft audit report on the Audit of the Office of Justice Programs Edward Byrne Memorial Justice Assistance Grant Program – Grant Awarded to City of Long Beach, California, dated August 9, 2010.

1. Remedy \$68,403 in questioned costs for inadequately supported contractual payments

The Long Beach Police Department (LBPD) staff continues to work daily with the contracted Deputy Probation Officer (DPO), thereby monitoring the DPO's activity and time worked. In response to auditor concerns, LBPD staff has obtained copies of the DPO's timecards for the invoices paid, and reviewed, approved and initialed them in order to provide physical documentation of approval. Beginning April 2010, LBPD staff review and initial the DPO's timecards, review and initial changes and corrections to the timecards, and maintain copies on file for invoice support documentation. Additionally, LBPD staff will verify the totals on each invoice against the timecards.

2. Remedy \$548 in questioned costs for overbilled Deputy Probation Officer overtime

LBPD staff failed to request supporting documentation for the July 8<sup>th</sup>, 2009 Board of Supervisors approval of the rate increase as noted on the invoices. Following auditor concerns, LBPD staff contacted the County of Los Angeles (CoLA) requesting documentation. CoLA staff determined the rate increase was in error and recalculated costs. Due to a correction to overtime hours, the total correction to the overbilling is \$332.21 and funds have been returned to the

grant. Henceforth, LBPD staff will request documentation to support all actions that affect contract costs prior to payment.

3. Ensure that Long Beach strengthens its internal controls related to its approval and authorization of vendor invoices and payments.

As noted above, LBPD has implemented controls to include documentation for all charges and changes prior to approval and authorization of vendor invoices and payments.

4. Ensure that Long Beach submits to OJP accurate and complete annual Progress Reports.

LBPD staff relied upon internal semi-annual summary reports to complete the OJP annual Progress Reports. LBPD staff will now use the more detailed monthly report to compile and complete the annual Progress Report in order to include as many details as possible.

5. Remedy \$5,035 in questioned costs that exceeded the allowable limits for administrative costs charged to grant as the County of Los Angeles' support staff services.

6. Remedy \$5,035 in Funds to Better Use that is anticipated to be paid by Long Beach and that exceed allowable limits for administrative costs charged to the grant as the County of Los Angeles' support staff services.

The DPO contract stipulates cost breakdowns that include Supporting Staff, further defined as individuals who monitor and supervise court-ordered juvenile and adult probationers within the City of Long Beach to conform to the Probation Department's Prevention and Intervention Department. To address the auditors' concerns, the LBPD submitted a Grant Adjustment Notification (GAN) to further expand upon the narrative for clarification of the contractual cost breakdown. The Office of Justice Programs approved the GAN on 5/6/10 to include the narrative detail.

7. Ensure that Long Beach strengthens its internal controls by establishing written policies and procedures for monitoring contractors.

The LBPD has put into place procedures to obtain supporting documentation that is maintained on site. Supporting documentation includes initialed timecards to support the time worked by the DPO. The timecards will be used to support the invoices received, with costs compared against the contracted amounts. Furthermore, any changes to costs will be supported with documentation as allowed by the contract. Based upon the addition of documentation to support the ongoing supervision and monitoring of the DPO, the invoices and payments, and



Gaschke – August 24, 2010  
Response to OIG Audit PD JAG 08  
Page 3

changes to the contracted amounts, Long Beach meets the requirements to monitor the contractor.

If you have any questions or require additional information, please contact Commander Laura Farinella, Police Department Chief of Staff, at (562) 570-7301.

Sincerely,

A handwritten signature in black ink, appearing to read "P. H. West", with a long horizontal flourish extending to the right.

Patrick H. West  
City Manager

OIG Audit Response Aug10.doc

## DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice

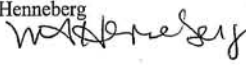
Office of Justice Programs

*Office of Audit, Assessment, and Management*

SEP 01 2010

Washington, D.C. 20531

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

FROM: Maureen A. Henneberg  
Director 

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Edward Byrne Memorial Justice Assistance Grant Program, Grant Awarded to the City of Long Beach, California*

This memorandum is in response to your correspondence, dated August 9, 2010, transmitting the subject draft audit report for the City of Long Beach, California (City). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **seven** recommendations, \$34,122 in questioned costs, and \$39,157 in funds put to better use. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP remedy \$64,803 in questioned costs for inadequately supported contractual payments.**

We agree with the recommendation. We will coordinate with the City to remedy \$64,803 in questioned costs for inadequately supported contractual payments.

- 2. We recommend that OJP remedy the \$548 in questioned costs for overbilled Deputy Probation Officer overtime.**

We agree with the recommendation. We will coordinate with the City to remedy the \$548 in questioned costs for overbilled Deputy Probation Officer overtime.

3. **We recommend that OJP ensure that Long Beach strengthens its internal controls related to its approval and authorization of vendor invoices and payments.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of implemented procedures which strengthens its internal controls related to its approval and authorization of vendor invoices and payments.

4. **We recommend that OJP ensure that Long Beach submits to OJP accurate and complete progress reports.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of implemented procedures to ensure that progress reports are accurate and timely submitted to OJP.

5. **We recommend that OJP remedy the \$5,035 in questioned costs that exceeded the allowable limits for administrative costs charged to the grant as the County of Los Angeles' support staff services.**

We agree with the recommendation. We will coordinate with the City to remedy the \$5,035 in questioned costs that exceeded the allowable limits for administrative costs charged to grant 2008-DJ-BX-0229 as the County of Los Angeles' support staff services. We will also coordinate with the Bureau of Justice Assistance (BJA) to request that the City provide a copy of its contract/sub-grant with the County of Los Angeles, and review it to determine cost allowability.

6. **We recommend that OJP remedy the \$5,035 in funds Put to Better Use that is anticipated to be paid by Long Beach and that exceed allowable limits for administrative costs charged to the grant as the County of Los Angeles' support staff services.**

We agree with the recommendation. We will coordinate with the City to remedy the \$5,035 in funds put to better use that is anticipated to be paid by the City and that exceed allowable limits for administrative costs charged to grant 2008-DJ-BX-0229 as the County of Los Angeles' support staff services. We will also coordinate with the BJA to request that the City provide a copy of its contract/sub-grant with the County of Los Angeles, and review it to determine cost allowability.

7. **We recommend that OJP ensure that Long Beach strengthens its internal controls by establishing written policies and procedures for monitoring contractors.**

We agree with the recommendation. We will coordinate with the City to ensure they develop and implement written policies and procedures for monitoring contractors.

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

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

Amanda LoCicero  
Budget Analyst  
Bureau of Justice Assistance

Dean Iwasaki  
Program Manager  
Bureau of Justice Assistance

Richard P. Theis  
Assistant Director  
Audit Liaison Group  
Justice Management Division

OJP Executive Secretariat  
Control Number 20101701

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

The OIG provided a draft of this audit report to OJP and Long Beach. Their responses are incorporated respectively as appendices II and III of this final report. The following is the OIG's analysis of the responses and summary of actions necessary to close the report.

1. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to remedy \$64,803 in questioned costs for inadequately supported contractual payments. Long Beach stated that it will obtain and maintain copies of the Deputy Probation Officer's timecards, review and initial the timecards, and verify the totals on each invoice against the timecards. This recommendation can be closed when OJP provides us with a description of how it plans to remedy the questioned costs. In addition, please provide us with evidence that Long Beach implemented procedures to ensure proper review and approval of the Deputy Probation Officer's timecards, especially before the related invoices are paid.
2. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to remedy \$548 in questioned costs for overbilled Deputy Probation Officer overtime. Long Beach stated that the overtime rate increase was an error and it recalculated the overtime costs. According to Long Beach, the correction to the amount overbilled was \$332 and funds were returned to the grant. In addition, Long Beach stated that it will request supporting documentation for all actions that affect contract costs prior to payment. This recommendation can be closed when OJP provides us with a description of how it plans to remedy the questioned costs. In addition, please provide us with evidence that the overbilled amount was returned to the grant and procedures have been established that would require Long Beach staff to obtain supporting documentation for all actions that affect contract costs prior to payment.
3. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to obtain a copy of implemented procedures which strengthens Long Beach's internal controls related to its approval and authorization of vendor invoices and payments. Long Beach stated that it has implemented controls to include documentation for all charges and changes prior to approval and authorization of vendor invoices and payments. This recommendation

can be closed when OJP provides us with a copy of Long Beach's procedures that include stated enhancements to Long Beach's invoice and payment authorization process.

4. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to obtain a copy of implemented procedures that ensure Long Beach submits to OJP accurate and timely progress reports. Long Beach stated that it will use more detailed reports to compile and complete the annual progress report. This recommendation can be closed when OJP provides us with a copy of Long Beach's procedures that ensure only accurate progress reports are submitted to OJP.
5. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to remedy \$5,035 in questioned costs for administrative transactions that exceeded allowable grant limits. Furthermore, OJP will coordinate with the BJA to review the contract between Long Beach and the County of Los Angeles Probation Department in order to determine cost allowability. Long Beach stated that it submitted a Grant Adjustment Notice to OJP in order to clarify the contractual cost breakdown and OJP approved the Grant Adjustment Notice on May 6, 2010. This recommendation can be closed when OJP provides us with a description of how it plans to remedy the questioned costs and it provides us with the results of the BJA's cost allowability determination.
6. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to remedy the \$5,035 in funds put to better use for administrative transactions that exceeded allowable grant limits. Furthermore, OJP will coordinate with the BJA to review the contract between Long Beach and the County of Los Angeles Probation Department in order to determine cost allowability. Long Beach stated that it submitted a Grant Adjustment Notice to OJP in order to clarify the contractual cost breakdown and OJP approved the Grant Adjustment Notice on May 6, 2010. This recommendation can be closed when OJP provides us with a description of how it plans to remedy the questioned costs and it provides us with the results of the BJA's cost allowability determination.
7. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Long Beach to ensure Long Beach develops and implements written policies and procedures for monitoring contractors. Long Beach stated that it has established procedures to obtain and maintain timecards supporting the Deputy Probation Officer's hours.

According to Long Beach, these timecards will serve as support for invoices. This recommendation can be closed when OJP provides us with evidence that Long Beach developed and implemented written policies and procedures for monitoring contractors.