



**OFFICE OF JUSTICE PROGRAMS
EDWARD BYRNE MEMORIAL
JUSTICE ASSISTANCE GRANTS
AWARDED TO THE NEW JERSEY DEPARTMENT OF LAW
AND PUBLIC SAFETY**

TRENTON, NEW JERSEY

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**EDWARD BYRNE MEMORIAL
JUSTICE ASSISTANCE GRANT PROGRAM
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NEW JERSEY DEPARTMENT OF LAW AND PUBLIC SAFETY**

EXECUTIVE SUMMARY

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of two grants awarded under the Edward Byrne Memorial Justice Assistance Grant (JAG) Program by the U.S. Department of Justice, Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the New Jersey Department of Law and Public Safety (DLPS), under grant number 2006-DJ-BX-0023 and the American Recovery and Reinvestment Act (Recovery Act) grant number 2009-SU-B9-0026. The purpose of the grants was to support efforts to disrupt drug and criminal networks; create community-based partnerships, safe schools, and communities; aid in substance abuse treatment in correctional facilities; improve the criminal justice system; provide law enforcement training; and support New Jersey's Safe Streets and Neighborhoods Program to address violent crime through law enforcement, prevention, and reentry focused strategies. As part of our audit, we also reviewed grants 2007-DJ-BX-0099, 2008-DJ-BX-0063, 2008-DJ-BX-0759, and 2009-DJ-BX-0801.¹

The purpose of the JAG Program is to allow 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 information systems for criminal justice for 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

¹ Funding from these grants had not been expended at the time of our audit.

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

Recovery 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 are 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.

Through Recovery Act JAG funding, the Department of Justice (DOJ) focused support on all components of the criminal justice system, including multi-jurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Audit Results

The purpose of this audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) grant requirements; (2) internal control environment; (3) cash management; (4) program income; (5) grant expenditures; (6) property management; (7) supplanting; (8) management of subrecipients and contractors; (9) Financial Status Reports (FSR), Progress Reports, and Recovery Act Reports; and (10) program performance and accomplishments.

As shown in the table below, the DLPS was awarded a total of \$53,363,818 to implement the six grant awards.

**EXHIBIT 1. EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE
GRANT PROGRAM GRANTS AWARDED TO THE NEW
JERSEY DEPARTMENT OF LAW AND PUBLIC SAFETY**

Grant Award Number	Award Start Date	Award End Date	Award Amount
2006-DJ-BX-0023	03/01/2006	09/30/2010	\$5,160,709
2007-DJ-BX-0099	07/25/2007	09/30/2010	\$7,636,992
2008-DJ-BX-0063	08/06/2008	09/30/2011	\$2,775,529
2008-DJ-BX-0759	09/30/2008	09/30/2011	\$246,970
2009-DJ-BX-0801	09/17/2009	09/30/2012	\$7,789,303
2009-SU-B9-0026	04/29/2009	02/28/2013	\$29,754,315
Total:			\$53,363,818

Source: OJP Grants Management System (GMS).

We examined the DLPS's accounting records, FSRs, Progress Reports, and operating policies and procedures and determined there were no findings to report.

- The financial management system provides for segregation of duties, transaction traceability, system security, and limited access.
- The DLPS accounted for and reported program income accurately.
- The transactions reviewed were generally properly authorized, classified, supported, and charged to the grants.
- All costs associated with payroll and fringe benefits for the pay periods reviewed were supported and reasonable.
- The FSRs reviewed under the grants were submitted in a timely manner and generally accurate.

The DLPS adequately addressed its grant funded JAG priorities of disrupting drug and criminal networks, implementing community justice initiatives, continuing to address local public safety issues in schools and communities, and making criminal justice system improvements throughout the state. The DLPS was awarded a total of \$53,363,818 in JAG funding covering the 2006 JAG grant through the 2009 Recovery Act award to address its priorities. The awards are detailed above in Exhibit 1.

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

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INTRODUCTION

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of two grants under the Edward Byrne Memorial Justice Assistance Grant Program awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the New Jersey Department of Law and Public Safety (DLPS). Specifically, we audited grant numbers 2006-DJ-BX-0023 and 2009-SU-B9-0026, the 2009 grant being provided by the American Recovery and Reinvestment Act (Recovery Act). This represented \$34,915,024 in total funding awarded to the DLPS. We also reviewed grants 2007-DJ-BX-0099, 2008-DJ-BX-0063, 2008-DJ-BX-0759, and 2009-DJ-BX-0801.

The Edward Byrne Memorial Justice Assistance Grant (JAG) is a formula grant program in which 50 states, the District of Columbia, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands are eligible to apply.² The purpose of the JAG Program is to allow 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 information systems for criminal justice for 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)

The purpose of the 2006 JAG grant awarded to the DLPS was to disrupt drug and criminal networks; create community-based partnerships,

² Formula grant programs are noncompetitive awards distributed to states based on a specific funding formula. Byrne Grant formula awards are based on State's or Territory's share of violent crime and population.

safe schools, and communities; aid in substance abuse treatment in correctional facilities; improve the criminal justice system; and provide law enforcement training. The intended use of funding awarded to the DLPS under the 2009 Recovery Act grant was to implement New Jersey's Safe Streets and Neighborhoods Program. The goals and objectives of the Recovery Act grant were to:

- increase the number of jobs retained and created during the grant period;
- encourage law enforcement agencies to move towards intelligence-led, data driven policing strategies;
- enhance prosecutions of firearm offenses in high-crime rate counties;
- expand Safe Fugitive Surrender Programs in conjunction with the Office of the U.S. Marshal;
- reduce the number of youths involved with gangs, guns, and delinquency; and
- reduce recidivism.

Recovery 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 are 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.

Through Recovery Act JAG funding, the Department of Justice (DOJ) focused support on all components of the criminal justice system, including multi-jurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG funded projects could address crime by providing services directly to individuals and communities

and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Audit Purpose

The purpose of this audit was to determine whether costs claimed for costs under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants, and to determine grant program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) grant requirements; (2) internal control environment; (3) cash management; (4) program income; (5) grant expenditures; (6) property management; (7) supplanting; (8) management of subrecipients and contractors; (9) Financial Status Reports (FSR), Progress Reports, and Recovery Act Reports; and (10) program performance and accomplishments. We determined that accountable property was not applicable to these grants.

As shown in the table below, the DLPS was awarded a total of \$53,363,818 to implement the six grant awards.

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Total:			\$53,363,818

Source: OJP Grants Management System (GMS)

Background

OJP's mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime fighting strategies. To support this mission,

the BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system, with goals to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions.

The DLPS is under the direction of the New Jersey Attorney General. In addition to providing statewide law enforcement and emergency response services, DLPS is responsible for protecting citizens' civil and consumer rights, promoting highway traffic safety, maintaining public confidence in the alcoholic beverage, gaming and racing industries, and providing legal services and counsel to other state agencies.

The mission of the DLPS is to protect the safety, security, and quality of life of the people of New Jersey through an integrated and coordinated structure of law enforcement and regulatory agencies. The Department consists of 10 divisions, as well as independent commissions and boards. The Attorney General, as head of the Department, serves as New Jersey's chief law enforcement officer and legal advisor, and is responsible for the management and administration of the DLPS. Additionally, the DLPS regulates the casino, boxing, alcoholic beverage, and racing industries, as well as protects consumers against fraud.

OIG Audit Approach

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the *Office of Justice Programs Financial Guide* and the award documents. We tested the DLPS's:

- **internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **grant drawdowns** to determine whether DLPS requests for reimbursement or advances were adequately supported, and if the grantee managed grant receipts in accordance with federal requirements;
- **grant expenditures** to determine whether the costs charged to the grants were allowable and supported;
- **management of subrecipients** to determine how the DLPS administered pass through funds;

- **Financial Status Reports, Progress Reports, and Recovery Act Reports** to determine if the required Financial Status Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflect grant activity; and
- **program performance and accomplishments** to determine whether DLPS achieved grant objectives, and to assess performance and grant accomplishments.

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

FINDINGS AND RECOMMENDATIONS

Our audit did not disclose any instances of noncompliance in those areas that we tested. We determined that the DLPS generally complied with grant requirements in the areas we tested. We found that there were policies and procedures in place to ensure the proper use of grant funding, and all grant-related expenditures we tested were allowable and supported with proper documentation.

Internal Control Environment

We began this audit by developing an understanding of the financial and accounting systems and related internal controls the DLPS used to ensure it complied with the terms and conditions of the grants. We interviewed grant officials and requested financial and accounting system data to determine if controls were adequate to separately account for and maintain grant funds. According to a DLPS official, a separate account was set up for each subrecipient. If the subrecipient was a state-level agency, grant funding was transferred to their account in advance of expenditures. For local agencies, grant funding was allocated to the account, but the agency was reimbursed based on detailed cost statements submitted for expenditures. Along with the detailed cost statements, subrecipients were also responsible for submitting a funding voucher. This voucher was required to include signatures by key subrecipient personnel. We verified that these separate accounts were used during expenditure transaction testing. Overall, we found that the internal controls being used by DLPS were working and appeared to be adequate to safeguard grant funds received and ensure compliance with the terms and conditions of the grants.

We reviewed the 2006 through 2009 grant awards from the OJP Grant Management System (GMS) to determine the special conditions for the grants. We compared the special conditions of each grant to supporting documentation to determine if the grantee complied with the special conditions of the grant. We found that the grantee complied with the special conditions of the grant. We also found no additional grant requirements for the 2006-2009 grants.

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. The State of New Jersey's fiscal year is July 1 through June 30; and for FY 2008, KPMG conducted a single audit of the State of New Jersey. We reviewed the FY 2008 Single Audit Report for the State of New Jersey and found that the State had unsupported costs totaling \$37,125 and \$104,277 in unallowed charges. In addition, the Single Audit disclosed there was no separation of duties between preparing FSRs and reviewing these reports for accuracy.

We reviewed the State's actions taken to correct findings from the single audit. We found that the State has implemented and submitted policies and procedures to subrecipients requiring the use of timesheets and making reimbursements mandatory for local subrecipients. We also found that a separation of duties existed between prepared and submitted FSRs.

Financial Management System

The State uses the New Jersey Comprehensive Financial System (NJCFPS), which is a statewide, integrated governmental financial system. Based on our review of DLPS policies and procedures, interviews with DLPS personnel, and observation of the documents produced by the NJCFPS, we believe DLPS has an adequate system of internal controls to ensure compliance with applicable requirements of both the JAG and Recovery Act JAG programs. The financial management system provides for segregation of duties, transaction traceability, system security, and limited access.

Drawdowns

JAG award recipients are permitted to draw down the entire award amount in a lump sum and place the funds in an interest-bearing account. We reviewed the requests for funding and compared the OJP grant disbursement reports with DLPS's accounting records of grant funds received. We determined that DLPS's receipt of grant funding was accurately reflected in its accounting records. Specifically, we noted that the total award amount for grants 2006-DJ-BX-0023 and 2009-SU-B9-0026 was drawn down and placed in interest bearing accounts on August 23, 2006, and November 20, 2009, respectively.

Program Income

According to the OJP Financial Guide, all income generated as a direct result of an agency-funded project shall be deemed program income. Interest income on block grants, such as the JAG program must be accounted for and reported as program income. Program income may be used to further program objectives, and any unexpended program income should be remitted to OJP.

According to grant officials, all of the grant funds we reviewed were placed in an interest bearing account and that interest was earned every year in the month of July and distributed into the grant accounts by the State's Office of Management and Budget. Based on our review of DLPS records, we determined that DLPS earned \$591,070 in interest from grants 2006-DJ-BX-0023, 2007-DJ-BX-0099, 2008-DJ-BX-0063, and 2008-DJ-BX-0759. We further determined that the interest earned was allocated to support program related activities that included the Department of Criminal Justices' Narcotics Unified Task Force grant as well as the State Police Gang and Narcotics Task Force grants, and therefore was in accordance with the requirements of the OJP Financial Guide.

Grant Expenditures

The *OJP Financial Guide* also serves as a day-to-day management tool for award recipients and subrecipients in administering grant programs by establishing the factors affecting the allowability, reasonableness, and allocability of both direct and indirect costs charged to DOJ grants.

The DLPS's grant expenditures consisted primarily of payments to other New Jersey state and local agencies and personnel in order to perform work in pursuit of achieving grant funded results. These funds were intended for use of programs that worked to disrupt drug and criminal networks; create community-based partnerships, safe schools, and communities; aid in substance abuse treatment in correctional facilities; improve the criminal justice system; and provide law enforcement training. Other grant expenditures included indirect costs, and administrative supply costs for items such as computer-related expenses, postage, and printing fees.

Personnel Expenses

We identified personnel and fringe related expenses associated with grants 2006-DJ-BX-0023 and 2009-SU-B9-0026. The personnel expenses for both grants totaled \$328,882.

For grant 2006-DJ-BX-0023, we reviewed the accounting records and identified personnel related expenses for 11 employees, totaling \$229,611 for salaries, and \$79,971 for fringe benefits. Although these employees did not normally spend 100 percent of their time on activities related to grant 2006-DJ-BX-0023, initially all of their salary was charged to the grant, including fringe benefits. At the end of each quarter, officials then reviewed and calculated the amount of personnel costs related to JAG activities and the JAG account was reimbursed for all expenses not associated with the grant.

We judgmentally selected two non-consecutive quarters, during the grant period that included 14 biweekly pay periods. We reviewed personnel expenses totaling \$114,766 for five employees paid with grant funds to determine whether the expenses were properly charged to the grants. To complete our testing, we asked grant officials to provide us with employee timesheets that indicated the amount of time each employee spent on grant related activities for each pay period. By matching the number of hours recorded in the approved timesheets to the grantee's payroll records, as well as DLPS's salary allocation records for each individual employee we tested, we determined the personnel expenses were allowable, properly supported, and accurately recorded.

For grant 2009-SU-B9-0026, we determined that the grantee used the same process as described earlier to record and allocate personnel related expenses. We reviewed the accounting records and identified personnel related expenses for five employees during one quarter of the grant period that included \$14,186 for salaries and \$5,114 for fringe. We reviewed the salary related expenses for all five employees to determine whether the expenses were properly charged to the grants. Using the same methodology described above, we determined that personnel expenses for grant 2009-SU-B9-0026 were allowable, properly supported, and accurately recorded.

We reviewed the fringe benefit costs associated with the personnel expenses we tested. For grants 2006-DJ-BX-0023 and 2009-SU-B9-0026, we determined the New Jersey Office of Budget and Management sets and applies the fringe benefit rate annually. We reviewed the elements of the fringe rate and determined that it was reasonable. The rate in effect for the personnel we tested for both grants was 36.05 percent. We reviewed the

fringe rate applied to our samples for both grants in order to determine whether fringe benefits were properly charged to the grant. Based on our review, we determined that charges were accurate and in accordance with the approved rate.

Payments to Contractors and New Jersey State and Local Agencies

At the time of our audit, the DLPS had expended a total of \$3,485,290 in payments to contractors and state and local agencies. We tested \$2,255,354 of these expenditures for accuracy and supportability. To determine if transactions were accurately recorded and supported, we compared DLPS's payment documentation to the accounting records of grant transactions. We found that all of the transactions we tested were properly authorized, recorded, and supported.

Administrative Costs

Grantees are allowed to use up to 10 percent of grant funding for the administration of JAG grants. For grants 2006-DJ-BX-0023, 2007-DJ-BX-0099, 2008-DJ-BX-0063, and 2008-DJ-BX-0759, DLPS requested to use 10 percent of each grant for administrative costs related to the grants. DLPS also requested to use 4 percent of grant funds for administrative costs for grant 2009-DJ-BX-0801 and 3 percent for grant 2009-SU-B9-0026.

We identified the administrative-related charges associated with grants 2006-DJ-BX-0023 and 2009-SU-B9-002. For grant 2006-DJ-BX-0023, we identified a total of \$309,582 related to personnel and fringe benefits, \$7,667 in indirect costs, and \$16,937 for other direct costs which included telephones, postage, and printing. For grant 2009-SU-B9-002, we identified a total of \$19,300 related to personnel and \$772 for other direct costs that included advertisement dues and travel reimbursement.

We determined that all of the charges associated with administrative costs were allowable, properly supported, and accurately recorded. A summary of our review of administrative costs follows.

Indirect Costs

DLPS submitted a negotiated indirect cost agreement, which was approved by OJP for each fiscal year of the grants we audited. During our audit, we determined that DLPS only had indirect costs associated with grant 2006-DJ-BX-0023. We reviewed the rate used by DLPS, which was 3.63 percent, and verified that the rate was current and accurate. We

recalculated the indirect costs, which totaled \$7,667, and determined the amount was accurately calculated and applied appropriately and therefore allowable according to the indirect cost agreement.

Supplanting

According to OJP, federal funds must be used to supplement existing state and local funds for program activities and must not replace those funds that have been appropriated for the same purpose. To determine whether DLPS used grant funds to supplant existing state and local funds for program activities, we reviewed the state budgets for fiscal years 2005 through 2007. Based on our limited review of the state budget data, we found no direct evidence that DLPS used federal funds to supplant state funds.

Management of Subrecipients

Solicitation Process

According to DLPS officials, sub awards are distributed to counties and local units of government on a formula or competitive basis. Solicitations are sent out via notification letters to state-level agencies and local applicants. Notices of Availability of Funds are also published for competitive grant applications.

We determined that there have been two competitive solicitations for the grants we audited. The solicitations initially occurred on July 7, 2008, for grant 2007-DJ-BX-0099 and on October 5, 2009, for grant 2009-SU-B9-0026. DLPS officials stated that the solicitations were placed in the New Jersey Register and awards were made on a competitive basis.

Based on our review of the solicitations for subrecipients, we determined that the solicitations accurately and fully describe the grant program, requirements of the program, and that awards were planned to be awarded promptly.

Awards Process

DLPS officials explained that projects funded under JAG are based on state priorities and resources needed. A spending plan is developed with the assistance of the State's Office of the Attorney General (AG) and the Division of Criminal Justice (DCJ).

Many grants are awarded on a non competitive basis. Applications must be submitted (including a budget), but all eligible programs receive

funding. An internal peer review ensures that all data included in the applications is correct. When the information is verified, a contract, which may include additional special conditions, is sent to the applicant. When the contract is returned, an internal peer review is conducted and when this process is completed, the applicant is notified of approval.

For competitive awards, the applications are scored by a review team consisting of staff with expertise in criminal justice related issues. Each member of the team reviews the applications and scores them based on the criteria outlined in the score sheets. Based on the scores, the grants are awarded to the highest rated.

We reviewed a sample of 10 applications for grant 2007-DJ-BX-0099.³ We selected five applications that were awarded subgrant funding and five applications that were denied subgrant funding. Additionally, we reviewed a judgmental sample of the non-competitive applications for state level programs and determined that they included all of the required information. Based on our review, we found that the DLPS followed the policies outlined above for funding applications under grant 2007-DJ-BX-0099.

Training and Technical Assistance

According to one DLPS official, there is no formal process related to training and technical assistance for subrecipients. However, the program analysts are in constant contact with the subrecipients through email, telephone, and site visits. Through this contact, DLPS is able to identify the needs of the subgrantees. All subrecipients are required to attend training related to the Recovery Act grants. All fiscal, program, and reporting managers are required to attend the training which includes a slide-show and review of Recovery Act reporting requirements. Based on our interviews with grant officials, the training and technical assistance provided appears adequate to ensure that subrecipients have a full opportunity to understand program requirements.

Management of Funds

According to one grant official, an account was set up by DLPS for each grant's subrecipients. If a subrecipient was a state-level agency, the money was transferred immediately to the state-level agency account. Additionally, detailed cost statements and funding vouchers were submitted

³ At the time of our fieldwork, DLPS was in the midst of the application process for the Recovery Act related solicitations. Therefore, we were unable to perform testing.

quarterly. These funding vouchers were to include signatures by the grant manager and accounts manager, verifying the information being submitted.

For those subrecipients that were local agencies, the money was to be allocated to each program's account and reimbursed based on detailed cost statements submitted for expenditures by the subrecipients. DLPS analysts were assigned to review each subrecipients' accounts. During our transaction testing, we verified this process and determined that transactions were accurately recorded and supported.

The DLPS provided us with examples of how subrecipient performance was measured. We viewed Performance Measures Reports and Quarterly Performance Narratives to understand how each program performed during the given time periods. DLPS also provided tracking logs and Detailed Cost Statements that were used to monitor subrecipient spending and document submission to DLPS. Based on these documents, we determined that DLPS's measures of performance were reasonable indicators for evaluating actual performance by subrecipients.

In our review of the funding associated with the Recovery Act, DLPS officials stated that New Jersey State Auditors will monitor this program. In order to comply with the Recovery Act's Section 1512 reporting, and to ensure timely reports, DLPS has required that all subrecipients submit monthly reports. These reports will be reviewed by DLPS staff, including a review by the program's Research and Evaluation analysts. Finally, when the submission is posted online, a Department administrator will verify the data submitted by the subrecipients.

Based on our testing, we determined that DLPS's process for managing grant funds appears to be sufficient to ensure accountability for subrecipients' requests for funds.

Monitoring

Grant monitoring is an essential tool to ensure that grant programs are implemented, objectives are achieved, and grant funds are properly expended. To this end, OJP requires that sub awards be monitored throughout the life of the grant to ensure that: (1) the subrecipient complies with the programmatic, administrative, and fiscal requirements of the relevant statutes, regulations, policies, and guidelines; (2) programs initiated by the subrecipient are carried out in a manner consistent with the relevant statutes, regulations, policies, and guidelines of the program; (3) the subrecipient is provided guidance on policies and procedures, grant program requirements, general federal regulations, and basic programmatic,

administrative, and financial reporting requirements; and (4) any problems that may impede the effective implementation of grant programs are identified and resolved.

According to grant officials, program analysts for the grantee monitor the grantees through review of reports submitted by the grantee, telephone contact, and site visits. We reviewed a sample of 20 documents related to the monitoring of subrecipients. The reports included; quarterly narrative reports, emails, monthly progress reports from subgrantees, and site visit reports. These reports included detailed summaries of the accomplishments to date, performance measures, crime data and analysis, and the outcome measures related to the goals and objectives.

Based on our review of the monitoring reports, and interviews with grant officials, we believe that through program analysts, the grantee properly carried out their established monitoring procedures. We determined the monitoring process complied with program requirements, including reporting of performance measures, site visits, and outcome measures related to the goals and objectives of individual subrecipients.

Monitoring Contractors

For the 2006 grant, we found that DLPS received approval from OJP for a sole source contract. The contract was intended to provide \$186,972 to a local university to provide strategic crime analysis for the state of New Jersey.

While we do not take any issues with DLPS in providing this subgrant as a sole source contract, we believe that the DLPS should monitor the contractor to ensure compliance with grant requirements. We did find that the university provided DLPS with Quarterly Narrative Reports to show progress in mapping and geo-coding crime areas in the targeted New Jersey communities, and we believe that these reports demonstrated adequate monitoring by the DLPS.

Reports

According to the *OJP Financial Guide*, award recipients are required to submit both financial and program reports. These reports describe the status of the funds and the project, compare actual accomplishments to the objectives, and report other pertinent information. We reviewed the FSRs, Progress Reports, and the Recovery Act Reports submitted by DLPS to determine whether each report was timely and accurate.

Subrecipient Reporting

Prior to the Recovery Act grant 2009-SU-B9-0026, subrecipients were required to prepare quarterly, bi-monthly, or monthly detailed cost statements, which were reviewed and approved by DLPS staff. In order to be compliant with the Recovery Act's Section 1512 reporting requirements and to ensure timely reports, DLPS now requires all subrecipients to report monthly, by the seventh day of the following month. In our discussions with grant officials, we were told that subrecipient reports go through several reviews to ensure proper reporting and accuracy. We also reviewed the policies and procedures in place for managing subrecipient Recovery Act Reports, Progress Reports, and FSRs. From our review we determined that these policies and procedures are sufficient and adequate to ensure timely and accurate reports.

Financial Status Reports

According to the *OJP Financial Guide*, 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 grant 2006-DJ-BX-0023 and the last three FSRs submitted during the award period for grant 2009-SU-B9-0026. Based on our review, we found that the DLPS submitted each report in a timely manner.

By comparing the amount of total expenditures reported on the FSRs with expenditure data from the accounting records maintained by the grantee, we determined that all FSRs accurately reflected grant related activities. We further determined that all of the FSRs we reviewed accurately reflected grant related activities.

Annual Progress Reports

OJP requires all JAG recipients to submit annual progress reports. For FY 2008 and prior, the permanent annual reporting period for all state and local JAG awards is January 1 through December 31, with reports due March 31. For FY 2009 and forward, including Recovery Act JAG grants, state recipients must submit annual progress reports and quarterly Performance Metric Tool (PMT) reports. The annual progress reporting period is the award start date through September 30, with reports due November 29. The quarterly PMT reports are due on the 30th of the month following the close of a quarter. State recipients may use the four PMT reports to satisfy the annual reporting requirement by uploading the reports into the OJP Grant Management System.

We determined that for each reporting period prior to the FY 2009 grants, DLPS submitted one annual report that included all JAG grants active during that period. In total, we determined they submitted three annual reports associated with grants 2006-DJ-BX-0023, 2007-DJ-BX-0099, 2008-DJ-BX-0063, and 2008-DJ-BX-0759. We determined the reports were timely for each of the grants. We also determined that the annual reports submitted for grant activities associated with grant 2009-SU-B9-0026, which was due for the period ending September 30, 2009, was submitted on time.

Finally, we reviewed the most recent annual report (FY 2008) for accuracy. By comparing the data submitted in the progress reports to related source documentation, which included quarterly reports from all subrecipients, performance measure reports, and Uniform Crime Report (UCR) data and statistics, we determined that the information contained in this report was consistent with the source documents related to the grant and accurately reflected grant-related activities.

Quarterly Recovery Act Reports

In addition to standard reporting requirements, grantees receiving Recovery Act funding must also submit quarterly reports, which require both financial and programmatic data specific to Recovery Act activities. According to BJA and OMB guidance, Recovery Act Reports are due 10 days after the close of each quarter.⁴

We reviewed the two Recovery Act Reports, submitted so far, for timeliness and found that DLPS submitted each report in a timely manner. The DLPS officials explained that in order to ensure the quarterly Recovery Act Reports are timely, subrecipients are required to submit monthly reports that are due by the seventh day of the following month.

To ensure accuracy of the data, DLPS has procedures in place to ensure subrecipients receive training on data collection and reporting. Research and evaluation analysts from DLPS review and reconcile the subrecipients' data. A draft of all data reporting documents is provided to and reviewed by the Chief of Program Developments/Grants and the State Office of Victim-Witness Advocacy. Once the draft has been reviewed and approved, the research and evaluation analyst submits the final report.

⁴ According to FederalReporting.gov Guidance, the recipient reporting due date of January 10, 2010, was extended to January 22, 2010.

According to OMB guidance, the reports aim to provide transparency on the use of these funds. The Recovery Act Reports are required to include the following information;

- Total amount of funds received and the amount of funds spent on projects and activities.
- A list of those projects and activities funded by name, including a description, completion status, and estimates on jobs created or retained.
- Details on subawards and other payments.

We reviewed the Recovery Act Reports ending in September 2009 and December 2009 for accuracy and determined that there were no grant related activities reported on the first report. For the second report, although the grantee stated it allocated funds to local agency recipients and transferred funds to the accounts of state level subrecipients, it reported that no subrecipients spent any Recovery Act funds. We found no evidence of spending and therefore determined that the grantee accurately reported its grant activities.

Program Performance and Accomplishments

The purpose of the grant funds awarded to the DLPS were for the:

- Disruption of drug and criminal networks - targeted enforcement of drug trafficking, criminal street gangs, and money laundering operations;
- Community-based partnerships - multi-agency strategies involving innovative partnerships among criminal justice agencies, social service agencies, and community-based organizations;
- Safe schools and communities - initiatives to address local public safety issues, gang prevention and intervention strategies;
- Substance abuse treatment - substance abuse treatment in correctional facilities;
- Criminal justice system improvements - integration and the enhancement of state information systems; and

- Law enforcement training - specialized training for criminal justice officials.

Additionally, the Recovery Act objectives were to:

- Increase the number of jobs retained and created during the grant period;
- Encourage law enforcement agencies to move towards intelligence-led, data driven policing strategies;
- Enhance prosecutions of firearm offenses in high-crime rate counties;
- Expand Safe Fugitive Surrender Programs in conjunction with the Office of the U.S. Marshal;
- Reduce the number of youth involvement in gangs, guns, and delinquency; and
- Reduce recidivism.

Grant officials stated the goals and objectives of the 2006 grant were prevention, reentry, partnerships, treatment, and training. To determine how DLPS measured the progress towards achieving these goals and objectives, we obtained examples of DLPS's Performance Measures Reports and Quarterly Narrative Reports. The Performance Measures Reports outlined each performance measure and showed data related to how the subrecipient addressed each measure. The Quarterly Narrative Reports outlined project goals and the subrecipients provided a narrative of how the subrecipient addressed the specified goal.

We also viewed documentation collected by DLPS to illustrate the impact of the grant funded programs. We determined that the information included in these reports showed a positive impact on the community. Examples of other outreach efforts were also provided. We viewed these outreach efforts as consistent with the goals and objectives of the grant program.

Conclusion

We examined the DLPS' accounting records, FSRs, Progress Reports, Recovery Act Reports, and operating policies and procedures and found:

- The financial management system provides for segregation of duties, transaction traceability, system security, and limited access.
- The DLPS accounted for and reported program income accurately.
- The transactions reviewed were properly authorized, classified, supported, and charged to the grants.
- All costs associated with payroll and fringe benefits for the pay periods reviewed were allowable, supportable and reasonable.
- The FSRs reviewed under the grants were submitted in a timely manner and generally accurate.
- The process in place for managing grant funds appears to be sufficient to ensure accountability for subrecipients' requests for funding.
- The DLPS adequately monitored contractors.
- The DLPS complied with the special conditions associated with each of the grants.

Overall, we believe that DLPS' policies and procedures will allow it to adequately manage Recovery Act funds.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under grants 2006-DJ-BX-0023, 2007-DJ-BX-0099, 2008-DJ-BX-0063, 2008-DJ-BX-0759, 2009-DJ-BX-0801, and 2009-SU-B9-0026 were allowable, supported, 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) drawdowns, (3) cash management, (4) program income, (5) grant expenditures, (6) supplanting, (7) management of subrecipients and contractors (8) Financial Status Reports (FSR), Progress Reports, and Recovery Act Reports, and (9) program performance and accomplishments.

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

The scope of the audit was the Byrne Grant Formula awards for fiscal years 2006 through 2009 with an emphasis on the 2008 awards and the 2009 Recovery Act and Non-Recovery Act awards. However, the DLPS had not expended any of the 2008 or 2009 non Recovery Act funding, so we focused our audit on the 2006 grant, which was the most complete by the time of fieldwork, as well as the 2009 Recovery Act grant, in which the DLPS has expended administrative related costs. The focus of the audit was on testing critical program areas as defined in the audit objectives. For each area, we developed a specific scope of testing based on the most recent time period associated with the significant activities within each area.

The audit concentrated on grants 2006-DJ-BX-0023, 2007-DJ-BX-0099, 2008-DJ-BX-0063, 2008-DJ-BX-0759, 2009-DJ-BX-0801, and 2009-SU-B9-0026 through the most recent period for which there were complete financial records, which was December 2009. In addition, testing of source documents was performed at the DLPS's facility to assess the accuracy of reimbursement requests; however, the reliability of the financial management system as a whole was not tested. Documents were reviewed and interviews conducted at the DLPS facility to determine whether the DLPS acted in accordance with the terms and conditions of the grants and claimed costs were accurate.

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are contained in the *Office of Justice Programs Financial Guide* and the award documents.

In conducting our audit, we performed sample testing in five areas, which were grant expenditures, including payroll; management of subrecipients; FSRs; 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 dollar amounts or expenditure category. This non-statistical sample design did not allow projection of the test results to the universes from which the samples were selected.

In addition, we assessed the grantee's monitoring of subrecipients; reviewed the timeliness and accuracy of FSRs, Progress Reports, and Recovery Act Reports; and evaluated performance to grant objectives. However, we did not test the reliability of the financial management system as a whole and reliance on computer based data was not significant to our objective

APPENDIX II

**NEW JERSEY DEPARTMENT OF LAW AND PUBLIC SAFETY
RESPONSE TO THE DRAFT AUDIT REPORT**

State of New Jersey

OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
PO BOX 081
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

PAULA T. DOW
Attorney General

DANIEL W. FOSTER
Administrator

June 14, 2010

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

Dear Mr. Puerzer,

The following is the response of the New Jersey Department of Law and Public Safety (DLPS) to the draft audit report on the Office of Justice Programs (OJP), Edward Byrne Memorial Justice Assistance Grants (JAG) numbers: 2006-DJBX-0023, 2007-DJBX-0099, 2008-DJBX-0063, 2008-DJBX-0759, 2009-DJBX-0801, and 2009-SUB9-0026.

The draft report has been reviewed and DLPS officials are in agreement with all aspects of the report. We offer no additional comments or responses.

Thank you for the opportunity to provide comments on the report.

Sincerely,

Daniel W. Foster
Administrator

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DWF/dg
cc: Distribution list attached

cc: Paula T. Dow, Attorney General
Carolyn Murray, Counsel to the Attorney General
Stephen J. Taylor, Director, DCJ
Heddy Levine-Sabol, Chief, DCJ
Kristen Fischer, Director, DLPS
Ronald W. Kraemer, Deputy Director, DLPS
Kelly Ottobre, Department Grants Coordinator
Maureen A. Henneberg, Director, OJP, OAAM

OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE
DRAFT AUDIT REPORT

June 22, 2010

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

FROM: Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Bureau of Justice Assistance, Edward Byrne Memorial Justice Assistance Grant Program Grants Awarded to the New Jersey Department of Law and Public Safety, Trenton, New Jersey*

This memorandum is in response to your correspondence dated May 28, 2010, transmitting the above-referenced draft audit report for the New Jersey Department of Law and Public Safety. The draft report does not contain any recommendations. The Office of Justice Programs has reviewed the draft audit report and does not have any comments.

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

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

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cc: OJP Executive Secretariat
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