



**OFFICE OF JUSTICE PROGRAMS
COMMUNITY CAPACITY DEVELOPMENT OFFICE AND
BUREAU OF JUSTICE ASSISTANCE GRANTS
AWARDED TO
OKLAHOMA CITY, OKLAHOMA**

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

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June 2010

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EXECUTIVE SUMMARY

The Office of the Inspector General (OIG), Audit Division, has completed an audit of 10 Office of Justice Programs (OJP) Community Capacity Development Office (CCDO), Weed and Seed grants totaling \$1,692,000 and 2 OJP Bureau of Justice Assistance (BJA) grants totaling \$3,428,984 to Oklahoma City, Oklahoma (the City). The general purpose of the CCDO Weed and Seed grants was to help establish and sustain a community-based strategy to prevent, control, and reduce violent crime, drug abuse, and gang activity in designated high-crime neighborhoods within Oklahoma City. One of the BJA grants was part of a nationwide initiative intended to reduce gang membership and violence in 10 districts. The other BJA grant was to help Oklahoma City provide a multijurisdictional, intelligence-led policing approach to reduce violent crime.

OJP provides leadership to federal, state, local, and tribal justice systems by disseminating grants for the implementation of crime fighting strategies. OJP does not directly carry out law enforcement and justice activities. Instead, it works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

According to the Oklahoma City Police Department (OCPD), the total number of gang members in Oklahoma City in 2001 was 3,789. This number increased to over 4,000 in 2007. In addition, the OCPD has reported a significant increase in gang-related drive-by shootings and homicides.

The purpose of this audit was to determine whether costs claimed under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objectives of this audit were to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) matching; (6) property management;

(7) program income; (8) financial status reports; and (9) monitoring of subgrantees and contractors. As shown in Exhibit 1, Oklahoma City was awarded a total of \$5,120,984 to implement the grants.

**EXHIBIT 1: OFFICE OF JUSTICE PROGRAM GRANTS
AWARDED TO OKLAHOMA CITY**

Award Number	Award Title	Award Start Date	Award End Date	Amount Awarded (\$)
2004-WS-Q4-0227	Weed and Seed Support Grant	10/1/2004	5/31/2007	50,000
2005-WS-Q5-0064	FY 2005 Weed and Seed Program Guide and Application Kit: Continuation Sites (Weed and Seed Continuation)	10/1/2004	5/30/2006	225,000
2005-WS-Q5-0164	Weed and Seed Support Grant	10/1/2005	9/30/2006	100,000
2005-WS-Q5-0302	FY 2004 Weed and Seed Continuation	1/1/2005	9/30/2007	175,000
2006-WS-Q6-0083	FY 2005 Weed and Seed Continuation	1/1/2006	12/31/2007	225,000
2006-WS-Q6-0084	FY 2005 Weed and Seed Continuation	10/1/2005	9/30/2007	225,000
2007-WS-Q7-0042	FY 2007 Weed and Seed Continuation	10/1/2007	12/31/2008	200,000
2007-WS-Q7-0113	FY 2007 Weed and Seed Continuation	10/1/2007	12/31/2008	200,000
2007-DD-BX-0631	FY 2007 Targeting Violent Crime Initiative	10/1/2007	3/31/2010	928,984
2008-WS-QX-0189	FY 2008 Weed and Seed Continuation	10/1/2008	3/31/2010	150,000
2008-PG-BX-0005	FY 2007 Anti-Gang Pilot Site Program	9/1/2007	8/31/2010	2,500,000
2009-WS-QX-0117	FY 2009 Weed and Seed Continuation	10/1/2009	9/30/2010	142,000
TOTAL AMOUNT OF OJP AWARDS				\$5,120,984

Source: OIG review of OJP grant awards and related documents

We examined Oklahoma City's accounting records, financial reports, and operating policies and procedures and found the following:

- Drawdowns exceeded expenditures by a cumulative \$3,535 as shown in the Oklahoma City accounting records for 3 of the 12 grants we reviewed. In addition, Oklahoma City drew down funds up to 7 months after the end of the 90-day grant closeout period in seven instances.
- A city employee opened a savings account in the name of Oklahoma City in which only that employee had signatory authority. This employee was operating a fund outside the authority of the office of the City Treasurer.

- Transactions charged to grants were unsupported or unallowable for 58 of 224 expenditures tested. We identified \$153,971 in unsupported and unallowable costs.
- We identified \$27,847 in unallowable labor costs. In addition, timesheets for employees whose salary costs were charged to grants were not certified by the employees that they had actually worked on the specific grant projects, and amounts charged for multiple employees exceeded the approved grant budgets.
- Cumulative transfers of funds between direct cost budget categories exceeded 10 percent of the total award on two of the grant awards for a total of \$27,008. For three of the grants, we could not perform this test because the City could not determine in which budget category certain costs belonged. For two of the grants, the test was not applicable due to the amount of the award. On the remaining four grants, the City complied with the 10 percent requirement.
- Matching costs agreed to by Oklahoma City were not met on two of the grants that required matching contributions. We identified \$94,240 in required matching costs not met by the City.
- Equipment purchased with grant funds was not inventoried or identified as purchased with federal grant funds.
- Financial Status Reports were filed late in 23 of 43 submissions and were deemed inaccurate in 15 of 43 submissions because they did not agree with Oklahoma City's accounting records.

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INTRODUCTION

The Office of the Inspector General (OIG), Audit Division, has completed an audit of 10 Office of Justice Programs (OJP) Community Capacity Development Office (CCDO) Weed and Seed grants totaling \$1,692,000 and 2 OJP Bureau of Justice Assistance (BJA) grants totaling \$3,428,984 to Oklahoma City, Oklahoma (the City). The general purpose of the CCDO Weed and Seed grants was to help establish and sustain a community-based strategy to prevent, control, and reduce violent crime, drug abuse, and gang activity in designated high-crime neighborhoods within Oklahoma City. One of the BJA grants was part of a nationwide initiative intended to reduce gang membership and violence in 10 cities. The other BJA grant was to help Oklahoma City provide a multijurisdictional, intelligence-led policing approach to reduce violent crime.

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TOTAL AMOUNT OF OJP AWARDS				\$5,120,984

Source: OIG review of OJP grant awards and related documents

Background

In September 2009, the OIG, Audit Division, received a referral from our Investigations Division regarding an allegation that certain Oklahoma City officials were improperly using and handling funds related to 12 OJP grants totaling \$5,120,984. As shown by Exhibit 1, the 12 OJP grants had approved performance periods that began between October 2004 and October 2009. However, because each grant generally had a performance period of only 1 or 2 years, eight of the grants had expired by the time we commenced our audit.

OJP provides leadership to federal, state, local, and tribal justice systems, by disseminating grants for the implementation of crime fighting strategies. OJP does not directly carry out law enforcement and justice activities. Instead, it works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice

system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

According to the Oklahoma City Police Department (OCPD), the total number of gang members in Oklahoma City in 2001 was 3,789. This number increased to over 4,000 in 2007. Oklahoma City is a large land area of 621 square miles. Compared to the national average, Oklahoma City has a higher crime rate in categories such as murder, rape, robbery, and assault.

Prior OJP Site Reviews

OJP's Community Capacity Development Office (CCDO) conducted two site reviews for Oklahoma City's Weed and Seed Program, one in October 2005 and another in October 2006. Each site review included monitoring visits by a CCDO program manager to two different City Weed and Seed sites and steering committee meetings with local officials responsible for various aspects of the Weed and Seed program. The CCDO Director accompanied the program manager on the October 2006 site visit, which featured a dedication ceremony for a new city community youth center and a helicopter tour of neighborhood sites receiving program funding.

We reviewed the monitoring reports that the CCDO generated after both site reviews. Neither site review identified substantial issues or reportable conditions with regard to Oklahoma City's Weed and Seed Program. Instead, the site reviews indicated that CCDO personnel were impressed with program activities and the enthusiasm of City staff charged with accomplishing grant-funded initiatives. The October 2005 site review also found that Oklahoma City had submitted all required Financial Status Reports and that grant financial activity appeared to be following OJP-approved budgets.¹

OIG Audit Objectives, Scope, and Methodology

The objectives of this audit were to determine whether Oklahoma City used OJP grant funds to purchase allowable items and whether the City adequately tracked and appropriately supported grant purchases. As part of our review, we also examined personnel costs, purchase card charges, and whether an employee of the City's former Neighborhood Services Department commingled OJP grant funds in the bank account identified by

¹ According to CCDO monitoring review documents, the October 2006 site visit did not include a grant file review due to the "abbreviated nature" of the site visit.

the OCPD.² The scope of our review encompassed October 2004, the start date of an early Weed and Seed grant to Oklahoma City, to September 2009, the date we began the audit.

To accomplish our audit objectives, we conducted fieldwork throughout Oklahoma City, including testing transactions to determine the allowability and appropriateness of costs charged to the OJP grants. In addition, we interviewed officials and employees that work for various Oklahoma City departments, including the Finance Department, Payroll Department, Purchasing Department, and the Police Department; as well as the former Neighborhood Services Department director, to assess city-level internal control and accounting procedures.

Our 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 audit against are contained in the *Office of Justice Programs Financial Guide* and the award documents.

In conducting our audit, we performed sample testing in four areas — drawdowns, grant expenditures, matching, and asset management. In addition, we reviewed the timeliness and accuracy of Financial Status Reports (FSR), evaluated the grantee's monitoring of contractors, and reviewed the internal controls of the financial management system.

We examined Oklahoma City's accounting records, financial reports, and operating policies and procedures and found the following:

- Drawdowns exceeded expenditures by a cumulative \$3,535 as shown in the Oklahoma City accounting records for 3 of the 12 grants we reviewed. In addition, Oklahoma City drew down funds up to 7 months after the end of the 90-day grant closeout period in seven instances.
- A City employee opened a savings account in the name of Oklahoma City in which only that individual had signatory authority. The employee was operating a fund outside the authority of the office of the City Treasurer.

² The Neighborhood Services Department was eliminated effective June 30, 2009.

- Transactions charged to grants were either unsupported or unallowable for 58 of 224 expenditures tested. We identified \$153,971 in unsupported and unallowable costs.
- We identified \$27,847 in unallowable labor costs. In addition, timesheets for employees whose salary costs were charged to grants were not certified by the employees that they had actually worked on the specific grant projects, and amounts charged for multiple employees exceeded the approved grant budgets.
- Cumulative transfers of funds between direct cost budget categories exceeded 10 percent of the total award on two of the grant awards for a total of \$27,008. For three of the grants, we could not perform this test because the City could not determine in which budget category certain costs belonged. For two of the grants, the test was not applicable due to the amount of the award. On the remaining four grants, the City complied with the 10 percent requirement.
- Matching costs agreed to by Oklahoma City were not met on two of the grants that required matching contributions. We identified \$94,240 in required matching costs not met by the City.
- Equipment purchased with federal grant funds was not inventoried or identified as purchased with federal grant funds.
- Financial Status Reports were filed late in 23 of 43 submissions and were deemed inaccurate in 15 of 43 submissions because they did not agree with Oklahoma City's accounting records.

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

FINDINGS AND RECOMMENDATIONS

We found that many of Oklahoma City's grant-related expenditures did not have proper supporting documentation and cumulative transfers of funds between direct cost budget categories exceeded 10 percent of the total award for two grants. We could not determine compliance on three other grants. Employee timesheets for payroll costs did not contain certifications of time worked on grant projects. In addition, no inventory of federally funded equipment purchases was maintained and Financial Status Reports were up to 92 days late and inaccurate on 15 of 43 occasions. In addition, we identified concerns regarding a bank account, drawdowns of grant funds, and matching provision.

Internal Control Environment

We reviewed Oklahoma City's financial management system, policies and procedures, and Single Audit Reports to assess the City's risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grants. We also interviewed individuals from several areas such as payroll, purchasing, the Police Department, the Information Technology Department, and the Director of the former Neighborhood Services Department and observed accounting activities to further assess risk.³

Oklahoma City guidelines require that each department head implement internal control standards, as shown in Exhibit 2, for purchasing items by their department.

³ The Neighborhood Services Department was eliminated effective June 30, 2009.

EXHIBIT 2: OKLAHOMA CITY INTERNAL CONTROL STANDARDS FOR DEPARTMENT-LEVEL PURCHASES

Segregation of Duties. Department heads must ensure that no one individual controls all phases of a transaction, such as requesting, paying, approving, and reconciling.

Documented Policy. Department heads must document internal control standards used by their departments and make them available to pertinent staff.

Oversight. Department heads must supervise their employees to ensure that purchases are made according to established procedures.

Source: OIG review of Oklahoma City purchasing guidelines

Based on the evidence we gathered during our audit, we believe that the former Neighborhood Services Department did not employ adequate internal control standards for purchases made with OJP grant funds. A single employee of the former Neighborhood Services Department, who was a City federal grant planning specialist, reportedly controlled virtually all OJP grant purchasing functions for that department.

We found no evidence that the former Neighborhood Services Department established internal control standards required by Oklahoma City purchasing guidelines. As a result, we recommend that OJP requires that Oklahoma City implement procedures to ensure that all departments that handle OJP grant funds maintain a proper internal control structure that: (1) segregates purchasing functions, (2) has a documented internal control policy, and (3) makes certain that purchases are made according to the established internal control guidelines.

Our review of the former Neighborhood Services Department internal control environment also identified potential discrepancies with the Oklahoma City purchase card program and accountable property controls. The following section provides the details of our audit.

Bank Account Inappropriately Opened By Oklahoma City Employee

Article IX of the City Municipal Code 2-843 states that it is a violation to operate a petty cash system or change fund outside the office of the City Treasurer with City funds. Once the OCPD began administering Oklahoma City's OJP grants, the OCPD discovered that an employee who worked for the former Neighborhood Services Department opened a savings account in Oklahoma City's name without permission and deposited various funds into

the account.⁴ A total of \$7,452 was deposited into the account over a 6-year period beginning in July 2003. Our review identified deposits resulting from donations, rebates, and other types of reimbursements. In August 2009, the OCPD closed the savings account and subsequently provided us copies of its bank statements. When the account was closed, it had a balance of \$57, which was remitted to the Oklahoma City general fund. We identified \$722 that we determined to be related to federal funds. There was no evidence that grant funds were deposited into this account. However, we believe federal funds could have been used for personal purposes.

Single Audit

According to Office of Management and Budget (OMB) *Circular A-133*, Oklahoma City was required to have a single audit performed. Oklahoma City's fiscal year is from July 1 through June 30. We found that the City's FY 2008 single audit had been completed in a timely manner on December 11, 2008. There were no audit findings reported, and the City received an unqualified opinion.

Financial Management System

We did not test the reliability of the financial management system as a whole. Our testing involved gathering data from the accounting system and verifying it to original invoices and supporting documentation. In addition, we determined that there was sufficient separation of duties and operating procedures were adequately documented.

Analysis of Oklahoma City Accounting Records

Oklahoma City uses a computerized accounting system to allocate and track charges made between various city-level departments. Each department is assigned a specific department code and has a number of subaccounts established to facilitate expenditure tracking. Under the former Neighborhood Services Department code (2309020), Oklahoma City established individual subaccounts for each OJP grant. Because each grant had its own subaccount, Oklahoma City was able to allocate individual expenses and separately track expenditures made against each OJP grant.

⁴ Although the bank account was opened in Oklahoma City's name, the bank account's signature card indicated only this employee was authorized access to account funds. However, the City's municipal code states that the Office of the City Treasurer is the only party authorized to operate any petty cash system or change fund with funds of the City.

However, our analysis of grant accounting records identified over 100 adjusting journal entries with a cumulative value of over \$450,000 within grant subaccounts. An adjusting journal entry is a means of correcting the accounting records when a transaction or event has not been properly posted to an account. When an error is identified, financial managers can use adjusting journal entries to move expenditures that were erroneously charged to a grant to the appropriate account. Therefore, by making adjusting journal entries to OJP grant subaccounts, Oklahoma City was essentially reimbursing grant accounts with funds from other grants or from its general fund.

Adjusting journal entries made to open grant accounts are not necessarily improper. If a previous accounting entry contained an error or a specific charge was allocated to an incorrect account, the only way the accounting records could be corrected is via an adjusting journal entry. We found several adjusting journal entries made to the open BJA Anti-Gang Grant subaccount. We discussed these entries with OCPD officials, who told us they had authorized these adjustments based upon their review of grant activity. In their judgment, certain costs that the former Neighborhood Services Department charged to the Anti-Gang Grant did not appear to be proper, including the cost of a stereo system, multiple flat-panel televisions, and a pizza party. Once the OCPD began identifying these charges in the BJA Anti-Gang Grant subaccount, it decided to adjust the costs out of the subaccount and pay for these items with Oklahoma City general fund dollars. As of September 28, 2009, Oklahoma City made a series of adjusting journal entries totaling over \$380,000 on the BJA Anti-Gang Grant account alone.

Furthermore, we found that some adjusting journal entries occurred on accounts for grants that had been closed. According to the *OJP Financial Guide*, grantees have 90 days after the approved budget period to make final adjustments to their grant accounting records. Because grant activity must be completed by the end of the budget period, grant accounting records should not show activity after the grant period ends.

Our review identified several journal entries that adjusted over \$80,000 from grant subaccounts more than 90 days after the end of grant performance periods. We found adjusting journal entries that not only removed charges but also added new charges. We also identified an adjusting journal entry made to grant number 2005-WS-Q5-0064 in April 2009, or almost 3 years after the grant was closed. Making adjusting journal entries to closed grants indicates that Oklahoma City's accounting records were not accurately reporting grant financial activity. Such an inaccurate accounting of expenditures indicates that we cannot rely on

Oklahoma City accounting records to show that grant transactions were allowable and incurred during the grant performance period.

Because Oklahoma City made a number of adjusting journal entries that applied charges to expired grant subaccounts, the City needs to provide documentation showing that the individual charges adjusted to expired grant accounts were incurred before the end of the grant's performance period. Adequate documentation includes invoices or receipts that show the specific charge and the date payment was made for that charge.

Adjusting journal entries in subaccounts for closed grants also indicate that Oklahoma City accounting procedures lack management controls that ensure costs are only allocated to OJP grants within approved performance periods. Considering the number of adjusting entries made to closed grants, we recommend that OJP require Oklahoma City to apply automatic restrictions on OJP grant subaccounts that prohibit transactions 90 days after the end of the performance period of each grant. In addition, require Oklahoma City to provide documentation showing that the individual charges it adjusted to expired grant accounts were incurred before the end of the grant's performance period.

Drawdowns

According to the *OJP Financial Guide*, recipient organizations should request funds based upon immediate disbursement or reimbursement requirements. Recipients should time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursement or reimbursements to be made immediately or within 10 days.

Because the grant officials who initiated drawdowns were not available for us to interview, we spoke with an official at the OCPD to determine the basis for drawdowns. Based on our discussion, we were unable to determine on what Oklahoma City's drawdowns were based. According to Oklahoma City officials, designated personnel working in the former Neighborhood Services Department were responsible for making grant drawdown requests. Once a request was made, OJP electronically transferred grant funds to the Oklahoma City bank account.

As shown in Exhibit 3, we compared drawdowns to the accounting records and determined that drawdowns exceeded expenditures by a cumulative total of \$3,535 for 3 of the 12 grants we reviewed. Additionally, there were seven instances where Oklahoma City drew down funds up to 7 months after the end of the 90-day closeout period. The remaining grant

drawdowns and expenditures per the accounting records were in agreement. We thus recommend OJP remedy \$3,535 in unsupported costs.

EXHIBIT 3: DRAWDOWNS EXCEEDING EXPENDITURES

Grant Number	Drawdown Amount	Expenditures	Difference
2005-WS-Q5-0302	\$175,000	\$174,476	\$524
2005-WS-Q5-0064	225,000	222,816	2,184
2006-WS-Q6-0084	225,000	224,173	827
Total			\$3,535

Source: Oklahoma City Accounting Records and OJP documentation

Transaction Testing

We reviewed the general ledger account designated for grant funds and sampled 224 transactions. We identified 12 transactions that we determined were unsupported and 46 transactions that we determined to be unallowable, for a total of 58, or 26 percent of the transactions tested.

According to the *OJP Financial Guide*, grant recipients are required to establish and maintain adequate records to accurately account for funds awarded to them. Such records include receipts, invoices, general ledger adjustments, subsidiary ledgers, personnel and payroll records, cancelled checks, and related documents. Without such documents, grantees cannot demonstrate that grant funds were used for allowable purposes.

In addition to maintaining adequate support for grant transactions, grantees must be certain to charge only allowable costs to their respective grants. For the OJP grants, allowable costs are those expenses governed by OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Allowable costs must also be reasonable, allocable, necessary to the project, and comply with funding statute requirements.

To assess whether costs charged to the OJP grants were allowable and supported with adequate documentation, we selected a judgmental sample of 224 transactions totaling \$1,006,265, or 41 percent of the total grant funds drawn down by Oklahoma City via the 12 OJP grants. To select our sample, we considered the nature of the grant programs and the preliminary findings of the OCPD’s ongoing internal review. Our testing found that of the 224 sampled transactions, 12 transactions totaling \$16,394 lacked adequate support and documentation, and 46 transactions totaling \$137,577 did not appear to be for allowable grant purposes (see Appendix IV for a detailed list of the transactions). For example, Oklahoma City used \$12,000 in OJP grant funds to purchase 30 sets of binoculars. Although OJP initially approved the

purchase of these items, Oklahoma City has not used the binoculars on grant-related projects.

EXHIBIT 4: UNUSED BINOCULARS PURCHASED WITH GRANT FUNDS



Source: OIG

Note: Identification tags on binocular cases are the result of the OCPD inventory of items that had been purchased with OJP grant funds.

Grantees need to maintain adequate documentation for grant award expenditures. In addition, grantees need to use award funds on purchases approved by grant budgets and ensure that these purchases further the objectives of their supported projects. When grant funds are not used to further program objectives, taxpayer funds that support grant programs are wasted. Therefore, we recommend that OJP remedy \$153,971 in questioned costs related to unsupported or unallowable expenditures.

Purchase Cards

A single employee controlled the purchasing process, including making purchases, receiving the supplies, and making the payment (purchase card). In essence, this employee controlled the entire process.

According to Oklahoma City purchasing guidelines, various City employees have been provided purchase cards to facilitate payments for department-level purchases.⁵ Each card has a preset spending limit, and employee cardholders can use their assigned purchase cards like a credit card to pay for purchases up to their account limit. Each cardholder is responsible for keeping receipts and reconciling them to monthly purchase card statements.

According to Oklahoma City guidelines, purchase cards are to be used for business-related purposes only. In addition, all transactions made with a purchase card should be made with good judgment and within the functional responsibilities of the cardholder. Exhibit 5 presents a summary of allowable and unallowable types of purchase card uses according to Oklahoma City policy.

EXHIBIT 5: ALLOWABLE AND UNALLOWABLE USES FOR OKLAHOMA CITY PURCHASE CARDS

Allowable Uses	Unallowable Uses
Maintenance	Personal purchases
Office Supplies	Car rentals without prior approval
Telecommunication	Entertainment
Magazine subscriptions	Alcoholic beverages
Tools and accessories	Gasoline or fuel costs
Automobile parts	Cash advances
Office equipment	Social functions

Source: Oklahoma City Purchasing Guidelines

To perform a monthly reconciliation, employees who made purchase card purchases must sign the monthly card statement confirming their purchase card activity. The statements and supporting documents (receipts or invoices) are then reconciled, signed, and approved by both the cardholder and the cardholder’s supervisor. Once completed, the approved statement represents an approval for Oklahoma City to pay the purchase card charges and also serves as a receipt for the purchased items. The Oklahoma City purchase card policy places the responsibility of retaining original itemized receipts, invoices, statements, and other supporting documents on individual city-level departments.

A City federal planning specialist of the former Neighborhood Services Department had an Oklahoma City purchase card to pay for grant-related

⁵ According to the Oklahoma Purchasing and Policies Manual, the City’s purchasing card program, “Pro-Card,” is part of an ongoing effort to continuously improve City processes, reduce cycle times, and empower employees. The City implemented the program for primarily small dollar/high volume purchases to assist employees to more quickly and easily obtain the goods and services needed to get the job done.

services and items. The specialist's purchase card account had a monthly limit of \$155,000 and a \$50,000 per transaction limit. At the time the OIG Investigations Division referred the matter to us in September 2009, this employee reportedly used his card to make about \$80,000 in purchases during one monthly billing cycle. The OCPD provided us copies of credit card statements and reconciliations for this purchase card.

Our transaction testing included several purchase card transactions. In many instances, credit card receipts only indicated a total dollar amount spent and included no additional details of what was purchased or why a purchase was made. In addition, we found that the purchase card had been used to pay for items such as food and gift cards, which may violate Oklahoma City allowable use guidelines that prohibit personal and entertainment-related expenses. These transactions were included in the amount reported in our transaction testing section.

Personnel Costs

We analyzed \$73,013 in personnel costs for the grants we reviewed. We reviewed supporting documentation for two pay periods of personnel and fringe benefit costs charged to the nine grants that incurred labor charges. For each employee paid with grant funds, we determined if labor charges were: (1) computed correctly, (2) properly authorized, (3) accurately recorded, and (4) properly allocated to the grants.

We found that labor costs were not always computed correctly, properly authorized, accurately recorded, or properly allocated to the grants. Specifically, we identified \$27,847, or 38 percent, in labor charges that were not computed correctly or were not authorized. For example, we found five employees that were authorized to have a certain percentage of their salaries and benefits paid with grant funds. However, the amounts actually charged to the grants were the incorrect percentages. Also, we found several employees paid with grant funds that should not have been, including Water and Planning Department employees. Oklahoma City subsequently adjusted the charges out of the grant.

Additionally, some grant budgets only allowed certain employees to be paid with grant funds, but unauthorized employees were paid with the grant funds. According to OMB Circular A-87, employees working on a single Federal award or cost objective will periodically certify that they worked solely on that program for the period covered by the certification. We found that timesheets for employees whose salary costs were charged to grants did not contain any certification by the employees that they had actually worked on the specific grant projects. Furthermore, amounts charged for

multiple employees exceeded the approved grant budgets. We recommend that OJP remedy \$27,847 in unallowable personnel costs and require Oklahoma City to develop a timekeeping system that allows employees to track their time on multiple projects.

Budget Management and Control

According to the *OJP Financial Guide*, grantees may request a modification to approved grant budgets to reallocate amounts between various budget categories within the same grant award. Movement between approved budget categories is allowable if the movements do not exceed 10 percent of the total award amount — no prior approval is required. The 10 percent rule is only applicable to grants that have an approved award amount that exceeds \$100,000. For the 11 grant awards that had expenditures, we analyzed Oklahoma City's accounting records to determine compliance with the 10 percent rule. Appendix V contains the data related to the 6 grants whose compliance was tested. The following is a synopsis of our testing results:

- Two grants were at or below the \$100,000 minimum threshold.
- Three grants had expenditures that the City could not determine in which budget category they belonged. Therefore, we could not determine whether the City complied with the 10 percent rule.
- Two grants contained expenditures in budget categories that exceeded the 10 percent rule by a total of \$27,008 and had no approval from OJP to do so.
- Four grants had movement between budget categories but were within the allowed 10 percent rule.

The City did not know why expenditures in budget categories for the two grants exceeded the 10 percent rule. In response to this finding, we are recommending that OJP remedy the \$27,008 in unallowable transfers and require Oklahoma City to identify and account for funds in the appropriate budget categories.

As shown by Exhibit 6, most of the OJP grant funds were to be spent on personnel and contractual costs. In addition, grant funds were to be used to purchase items, such as computers, printers, and large-screen televisions.

EXHIBIT 6: GRANT BUDGET COST CATEGORIES

Cost Category	Examples of Costs	Amount Approved by Category
Personnel	Police officer overtime, employee salary	\$2,047,045
Fringe Benefits	Retirement, Medical Insurance, and Taxes	486,381
Travel	Airfare, lodging, and training	105,360
Equipment	Computers, printers, furniture, and televisions	469,867
Supplies	Paper, pens, printer toner, and postage	192,543
Contractual	Contracts with Entities External to the City	1,705,326
Other	Rent, janitorial, telephone, and security systems	114,462
TOTAL		\$ 5,120,984

Source: OIG analysis of OJP grant budget documents

Matching Costs

As shown in Exhibit 7, the original budgets called for approximately \$133,340 in local match. Oklahoma City was required to provide its matching contribution in cash. The total actual match met was only \$39,100, which was well below the required match by a total of \$94,240.⁶ Therefore, we question \$94,240 in matching costs not met by Oklahoma City, and we recommend OJP remedy this amount.

EXHIBIT 7: MATCHING REQUIREMENT NOT MET

GRANT NUMBER	MATCH REQUIRED	AMOUNT MET	AMOUNT NOT MET
2007-WS-Q7-0042	\$66,670	\$0	\$66,670
2007-WS-Q7-0113	66,670	39,100	27,570
Total	\$133,340	\$39,100	\$94,240

Source: Oklahoma City Accounting Records and Award Documentation

Accountable Property

The *OJP Financial Guide* requires that award recipients maintain property records to track nonexpendable property items purchased with grant funds. The records should contain: (1) a description of the property, (2) a serial number or other unique identification number, (3) the date the property was purchased or received, and (4) where grantee stores or uses the property. OMB Circular A-133 requires grantees to implement controls to ensure property and equipment purchased with federal funds are properly safeguarded and inventories be conducted every 2 years and reconciled against accounting records.

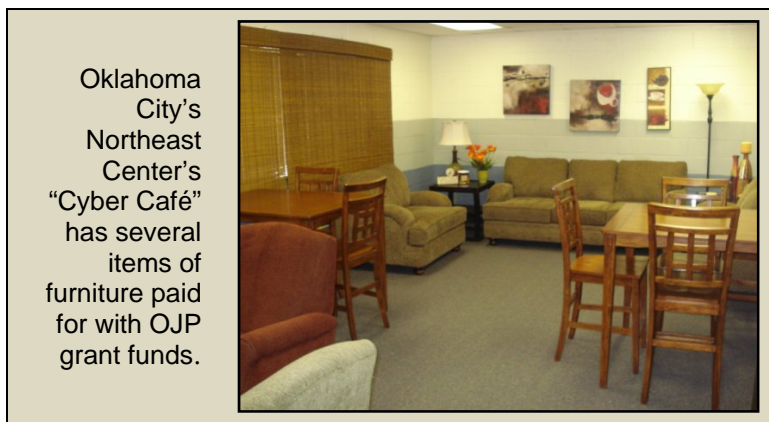
⁶ Grant 2008-WS-QX-0189 is still ongoing and the match does not have to be met until the end of the project period.

As presented previously in our Exhibit 6, \$469,867 was budgeted for equipment. At the onset of our audit, we requested a copy of the inventory of items purchased with federal grant funds. However, we were informed by an OCPD official that there was no record that tracked and identified items purchased with federal grant funds because the former Neighborhood Services Department had not maintained one. That same official stated the OCPD was in the process of attempting to complete an inventory of all items purchased with federal grant funds.

Oklahoma City's accounting services procedure manual requires departments to maintain an inventory of all items with a value of \$7,500 or under. City accounting records indicated grant funds were used to purchase specific property items we examined while on-site. At the time of our review, the OCPD had not completed the inventory and was unable to specifically identify items purchased with grant funds. Because of Oklahoma City's failure to maintain appropriate accountable property inventory records, we could not compare serial numbers or other identifying information to substantiate they were the same items as in the accounting records.

Our transaction testing identified a number of items we believe should be classified as nonexpendable property items, including printers, binoculars, digital video cameras, desktop and laptop computers, video arcade games, and flat-panel televisions. Exhibit 8 shows some of the items we found on-site at Oklahoma City facilities.

EXHIBIT 8: EXAMPLES OF ITEMS IDENTIFIED BY THE OCPD AS HAVING BEEN PURCHASED WITH OJP GRANT FUNDS



This 65-inch flat panel television and cabinet was purchased with OJP grant funds and is at Oklahoma City's Northeast Center. The items pictured cost \$4,399.



This picture shows one of several \$200 samurai sword Neighborhood Services used grant funds to purchase. The OCPD later reversed the charges and used non-DOJ funds to pay for these swords.



Oklahoma City's Northeast Center features several arcade games paid for with OJP grant funds. Each arcade game cost about \$800.



Source: OIG and Oklahoma City Accounting Records

Without ensuring that city-level departments implement proper tracking controls, Oklahoma City cannot assure that items purchased with OJP grant funds are being used for allowable purposes. For example, before our audit began, a pair of binoculars acquired with grant funds was used on a hunting trip and subsequently sold to a local pawn shop. Because of a lack of adequate property records, Oklahoma City found out about this improper use of grant property only when another city employee saw the binoculars for sale on a commercial website.

We note that once the OCPD became responsible for the OJP grant awards, it began compiling an inventory of property items. However, because the OCPD is completing this inventory well after the time the purchases were made, this inventory may not include all items purchased with grant funds. Therefore, we recommend that OJP require Oklahoma City to remedy the discrepancy and account for accountable property items purchased with federal grant funds and require that those who administer OJP grant funds keep proper and updated accountable property records.

Reports

We reviewed FSRs and found they were not filed in a timely manner on 23 of 43 occasions, and that 15 of 43 inaccurately reported \$599,513 in expenditures that were not supported by the accounting records.⁷ Appendix VI contains the details related to the timeliness and accuracy of the FSRs.

Financial Status Reports

According to the *OJP Financial Guide*, FSRs are required to be filed within 45 days of the end of the quarter and within 90 days of the end of the grant period.

We reviewed the most recent four quarters of FSRs submitted for each grant during the respective award periods and found they were generally not filed in a timely manner according to the requirements of the *OJP Financial Guide*. We noted that once the OCPD took over the administration of the grant awards, the reports began to be filed on time.

We also reviewed the same FSRs for accuracy and found that they did not agree with the City's accounting records and were, therefore, inaccurate

⁷ According to our agreement with the Acting U.S. Attorney for the Western District of Oklahoma, we did not review or test Progress Reports or program performance and accomplishments.

35 percent of the time. Therefore, we are recommending that OJP require Oklahoma City to develop procedures to ensure accurate FSRs and amend inaccurate FSRs as needed.

Compliance with Grant Requirements

We reviewed the special conditions of the grant awards and found there were 23 conditions that required Oklahoma City to accomplish key requirements prior to OJP issuing a Grant Adjustment Notice (GAN) allowing the City to continue with the project. We found that all 23 of the special conditions had been met and corresponding GANs had been issued allowing the projects to continue. Therefore, according to OJP, Oklahoma City complied with these key requirements.

Monitoring Contractors

According to the August 2008 *OJP Financial Guide*, direct recipients should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements. The OCPD Business Manager stated there were no specific policies or procedures that address contractor monitoring requirements. Additionally, the Business Manager indicated that it did not appear that any pre-award evaluation of the contractor's financial management systems and associated policies, procedures, and internal controls was conducted. However, the Business Manager did point out that both of the contractors were other local governmental agencies and that the contractors were only reimbursed when they accomplished what they were contracted to do.

Although we noted no exceptions related to the contracts we reviewed, we feel Oklahoma City should have a documented policy that identifies the processes for monitoring any subrecipients. In addition, it should maintain documentation that supports the City has completed the monitoring of subrecipients.

We discussed these issues with representatives of Oklahoma City during the course of the audit, as well as during a formal exit conference. Their comments have been included in the report as applicable.

Recommendations

We recommend that OJP:

1. Ensure that the City implements procedures to ensure that all departments that handle OJP grant funds maintain a proper internal control structure.
2. Require Oklahoma City to apply automatic restrictions on OJP grant subaccounts that prohibit transactions 90 days after the end of the performance period of each grant.
3. Require Oklahoma City to provide documentation showing that individual charges adjusted to expired grant accounts were incurred before the end of the grant performance periods.
4. Remedy the \$212,361 in questioned costs identified as unsupported or unallowable expenditures. In addition, remedy the \$94,240 in matching contributions not met.
5. Require Oklahoma City to develop a timekeeping system that allows employees to track their time on multiple projects.
6. Require Oklahoma City to identify and account for funds in the appropriate budget categories.
7. Ensure that Oklahoma City remedies the discrepancies and accounts for accountable property items purchased with federal grant funds and requires proper and updated accountable property records.
8. Require Oklahoma City to develop procedures to ensure accurate FSRs and amend inaccurate FSRs as needed.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant and to determine program performance and accomplishments. The objectives of this audit were to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) matching; (6) property management; (7) program income; (8) Financial Status Reports; and (9) monitoring of subgrantees and contractors. In agreement with the Acting United States Attorney for the Western District of Oklahoma, we did not review program performance and accomplishments or Progress Reports.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The scope of our review encompassed October 2004, the start date of an early Weed and Seed grant to Oklahoma City, to September 2009, the date we began the audit.

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

In conducting our audit, we performed sample testing in five areas — drawdowns, grant expenditures, matching, payroll, and property management. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts, expenditure category, drawdowns, grant and matching expenditures, and accountable property. This non-statistical sample design does not allow projection of the test results to the universes from which the samples were selected.

In addition, we reviewed the timeliness and accuracy of FSRs, evaluated compliance with grant requirements, and evaluated Oklahoma City's monitoring of its contractors. We did not test the reliability of the

financial management system as a whole. Our testing involved gathering data from the accounting system and verifying it to original invoices and supporting documentation. In addition, we determined that there was sufficient separation of duties and operating procedures were adequately documented.

SCHEDULE OF DOLLAR-RELATED FINDINGS

	AMOUNT	PAGE
QUESTIONED COSTS		
UNALLOWABLE		
Transactions	\$137,577	11
Personnel	\$27,847	15
Budget Management and Control	\$27,008	15
UNSUPPORTED		
Drawdowns	\$3,535	11
Transactions	\$16,394	11
MATCHING QUESTIONED COSTS	\$94,240	16
TOTAL DOLLAR-RELATED FINDINGS	\$306,601	

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.

DRAWDOWNS VERSUS ACCOUNTING RECORDS⁸

Date Of Drawdown Per OJP	Amount Drawn Per OJP (\$)	Grant Expenditures Per Accounting Records For Drawdown Period (\$)	Cumulative Drawdowns Per OJP (\$)	Cumulative Expenditures Per Accounting Records (\$)	Difference
2004-WS-Q4-0227					
5/14/2007	50,000	50,000	50,000	50,000	0
2005-WS-Q5-0064					
9/1/2005	100,000	104,534	100,000	104,534	
4/3/2006	110,000	86,216	210,000	190,751	
3/14/2007	15,000	32,189	225,000	222,939	(2,184)
2005-WS-Q5-0164					
10/2/2006	75,000	92,095	75,000	92,095	
2/5/2007	25,000	7,905	100,000	100,000	0
2005-WS-Q5-0302					
9/5/2007	150,000	120,378	150,000	120,378	
2/6/2008	25,000	54,097	175,000	174,475	(524)
2006-WS-Q6-0083					
7/6/2007	100,000	116,457	100,000	116,457	
2/6/2008	75,000	111,580	175,000	228,037	
8/18/2008	50,000	465	225,000	228,502	3,502
2006-WS-Q6-0084					
7/6/2007	175,000	207,828	175,000	207,828	
2/8/2008	50,000	16,345	225,000	224,273	(827)
2007-WS-Q7-0042					
12/9/2008	143,000	196,996	143,000	196,996	
6/11/2009	57,000	9,167	200,000	206,163	6,163
2007-WS-Q7-0113					
5/7/2009	175,000	200,000	175,000	200,000	
5/7/2009	25,000	0	200,000	200,000	0
2007-DD-BX-0631					
12/16/2008	152,000	215,964	152,000	215,964	
7/1/2009	204,403	443,571	356,403	659,535	303,132
2008-WS-QX-0189					
11/17/2009	0	114,702	0	114,702	114,702
2008-PG-BX-0005					
12/16/2008	319,000	416,484	319,000	416,484	
7/8/2009	366,593	273,962	685,593	690,445	4,852

Source: Office of Justice Programs and City of Oklahoma City

⁸ Differences in total amounts are due to rounding, e.g., the sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

UNSUPPORTED TRANSACTIONS IDENTIFIED BY OIG TRANSACTION TESTING

Grant Number	Transaction Description	Transaction Amount (\$)	Reason Unsupported
2005-WS-Q5-0302	Telephone	107	No detail for distribution
2005-WS-Q5-0064	Office Supplies	799	No invoice or receipt
2005-WS-Q5-0064	Cell Phone	473	No methodology for allocating how much to charge to the grant
2006-WS-Q6-0083	Airfare	330	No support provided
2006-WS-Q6-0084	Sporting Goods	4,158	No invoice or receipt
2006-WS-Q6-0084	Cell Phone	754	No methodology for allocating how much to charge to the grant
2006-WS-Q6-0084	Cell Phone	472	No methodology for allocating how much to charge to the grant
2007-WS-Q7-0042	Travel: Airfare	403	No invoice, receipt, or travel voucher
2007-WS-Q7-0113	Travel	3,786	No methodology for allocating how much to charge to the grant
2008-PG-BX-0005	Airfare	1,422	No support provided
2008-PG-BX-0005	Travel	3,157	No support provided
2008-PG-BX-0005	Unknown	533	No support provided
TOTAL UNSUPPORTED COSTS		16,394⁹	

Source: OIG analysis of transactions identified by Oklahoma City accounting records

⁹ Figure reported as total unsupported costs includes rounded figures.

UNALLOWABLE TRANSACTIONS IDENTIFIED BY OIG TRANSACTION TESTING

Grant Number	Transaction Description	Transaction Amount (\$)	Reason Unallowable
2005-WS-Q5-0064	Building Rental	10,385	Charged to grant after close-out date
2005-WS-Q5-0064	Conference Registration Fees	2,720	Not approved in grant budget
2005-WS-Q5-0064	Overtime pay	124	Charged to grant after closeout date
2005-WS-Q5-0302	Contract County Sheriff	14,919	Not approved in grant budget
2005-WS-Q5-0302	Plumbing	420	Not approved in grant budget
2005-WS-Q5-0302	Phone equipment	368	Not approved in grant budget
2006-WS-Q6-0083	Postage	3,119	Amount exceeded budget
2006-WS-Q6-0083	Pizza	333	Not approved in grant budget
2006-WS-Q6-0083	Lighting work	300	Not approved in grant budget
2006-WS-Q6-0083	Gift Certificates	300	Not approved in grant budget/no accounting for distribution
2006-WS-Q6-0083	Gift Certificates	200	Not approved in grant budget/no accounting for distribution
2006-WS-Q6-0083	Food	101	Not approved in grant budget
2006-WS-Q6-0083	Gift Certificates	100	Not approved in grant budget/no accounting for distribution
2006-WS-Q6-0084	Travel: CPTED Conference	2,176	CPTED not approved in grant
2006-WS-Q6-0084	CPTED Conference Registration Fees	1,580	Not approved in grant budget
2006-WS-Q6-0084	Travel: NeighborWorks Conference	1,450	Not approved in grant budget
2006-WS-Q6-0084	Fuel Chargeback	1,340	Charged to grant after closeout date
2006-WS-Q6-0084	Travel: NeighborWorks Conference	1,250	Not approved in grant budget
2006-WS-Q6-0084	Security Services	485	Not approved in grant budget
2006-WS-Q6-0084	Vehicle Maintenance	267	Not approved in grant budget
2006-WS-Q6-0084	Travel: CPTED Conference	261	Not approved in grant budget
2006-WS-Q6-0084	Travel: CPTED Conference	256	Not approved in grant budget
2006-WS-Q6-0084	Travel: CPTED Conference	248	Not approved in grant budget
2007-WS-Q7-0042	Conference Registration Fees	2,065	Not approved in grant budget
2007-WS-Q7-0042	Camera Lenses	1,131	Not approved in grant budget
2007-WS-Q7-0113	Hotel Conference Room	6,220	Not approved in grant budget/meant for future grant
2007-WS-Q7-0113	CADCA Conference Registration Fees	2,325	Not approved in grant budget
2007-WS-Q7-0113	CADCA Conference Travel Advance	1,434	Not approved in grant budget
2007-WS-Q7-0113	CADCA Conference Travel Advance	1,280	Not approved in grant budget
2007-WS-Q7-0113	Travel: CADCA Conference Airfare	349	Not approved in grant budget
2007-WS-Q7-0113	Travel: CADCA Conference	343	Not approved in grant budget
2007-WS-Q7-0113	Pizza Hut	141	Not approved in grant budget
2007-WS-Q7-0113	Travel: Violent Crime Conference	131	Not approved in grant budget
2007-WS-Q7-0113	Travel: Violent Crime Conference	119	Not approved in grant budget
2007-WS-Q7-0113	Travel: Violent Crime Conference	119	Not approved in grant budget

APPENDIX IV

Grant Number	Transaction Description	Transaction Amount (\$)	Reason Unallowable
2007-WS-Q7-0113	Travel: Violent Crime Conference	119	Not approved in grant budget
2007-DD-BX-0631	Midwest City OT Reimbursement	47,437	Contract not ratified by the City Council
2007-DD-BX-0631	Natural Gas	4,498	Not approved in grant budget
2007-DD-BX-0631	Conference Registration Fees	3,000	Not approved in grant budget
2008-WS-QX-0189	Plumbing Service	130	Not approved in grant budget
2008-WS-QX-0189	Air Condition Service	191	Not approved in grant budget
2008-PG-BX-0005	Computer	6,480	Not approved in grant budget
2008-PG-BX-0005	Computer	1,454	Not approved in grant budget
2008-PG-BX-0005	TV and Sound System	3,809	Not approved in grant budget
2008-PG-BX-0005	Utility	100	Not approved in grant budget
2007-DD-BX-0631	30 Sets of Binoculars	12,000	Items not being used for any grant project or program.
TOTAL UNALLOWABLE COSTS		137,577¹⁰	

Source: OIG analysis of transactions identified by Oklahoma City accounting records

¹⁰ Figure reported as total unsupported costs include rounded figures.

BUDGET MANAGEMENT AND CONTROL

COST CATEGORY	BUDGET (\$)	EXPENDITURES PER ACCOUNTING RECORDS (\$)	AMOUNT UNDER BUDGET (\$)	AMOUNT OVER BUDGET (\$)
2005-WS-Q5-0064				
Personnel	132,114	122,793	(9,321)	
Fringe Benefits	22,148	19,543	(2,605)	
Travel	7,500	11,252		3,752
Equipment	0	0		
Supplies	4,219	4,372		153
Construction	0	0		
Contract/Consultant	53,209	46,500	(6,709)	
Other (space/utilities)	5,810	15,731		9,921
Total Direct Costs	225,000	220,191	(18,635)	13,826
Indirect Costs				
Total	225,000			
Federal Funds	225,000			
Local Match				
Allowable 10% of Total Budget				22,500
Unallowable Amount (Amount Over Budget – 10% Allowable)				0

Source: OIG Analysis of Office of Justice Programs and City of Oklahoma City Data

COST CATEGORY	BUDGET (\$)	EXPENDITURES PER ACCOUNTING RECORDS (\$)	AMOUNT UNDER BUDGET (\$)	AMOUNT OVER BUDGET (\$)
2007-WS-Q7-0113				
Personnel	97,960	117,455		19,495
Fringe Benefits	24,499	13,042	(11,457)	
Travel	5,000	10,715		5,715
Equipment	21,557	1,075	(20,482)	
Supplies	8,888	12,821		3,933
Construction	0	0		
Contract/Consultant	33,209	31,720	(1,489)	
Other (space/utilities)	8,887	13,173		4,286
Total Direct Costs	200,000	200,000	(33,428)	33,428
Indirect Costs				
Total	200,000			
Federal Funds	200,000			
Local Match				
Allowable 10% of Total Budget				20,000
Unallowable Amount (Amount Over Budget – 10% Allowable)				13,428

Source: OIG Analysis of Office of Justice Programs and City of Oklahoma City Data

APPENDIX V

COST CATEGORY	BUDGET (\$)	EXPENDITURES PER ACCOUNTING RECORDS (\$)	AMOUNT UNDER BUDGET (\$)	AMOUNT OVER BUDGET (\$)
2007-WS-Q7-0042				
Personnel	100,931	121,455		21,064
Fringe Benefits	29,330	22,008	(7,322)	
Travel	5,000	4,535	(465)	
Equipment	2,500	0	(2,500)	
Supplies	3,599	7,442		3,843
Construction	0	0		
Contract/Consultant	51,973	28,330	(23,643)	
Other (space/utilities)	7,207	15,880		8,673
Total Direct Costs	200,000	199,650	(33,930)	33,580
Indirect Costs				
Total	200,000			
Federal Funds	200,000			
Local Match	66,670			
Allowable 10% of Total Budget				20,000
Unallowable Amount (Amount Over Budget – 10% Allowable)				13,580

Source: OIG Analysis of Office of Justice Programs and City of Oklahoma City Data

COST CATEGORY	BUDGET (\$)	EXPENDITURES PER ACCOUNTING RECORDS (\$)	AMOUNT UNDER BUDGET (\$)	AMOUNT OVER BUDGET (\$)
2007-DD-BX-0631				
Personnel	405,900	448,055		42,155
Fringe Benefits	82,534	7,077	(75,457)	
Travel	18,360	23,910		5,550
Equipment	268,109	116,469	(151,640)	
Supplies	28,607	14,921	(13,686)	
Construction	0	0		
Contract/Consultant	125,474	47,437	(78,037)	
Other (space/utilities)	0	9,723		9,723
Total Direct Costs	928,984	667,592	(318,820)	57,428
Indirect Costs				
Total	928,984			
Federal Funds	928,984			
Local Match				
Allowable 10% of Total Budget				92,898
Unallowable Amount (Amount Over Budget – 10% Allowable)				0
Note: This is an open grant that is still ongoing.				

Source: OIG Analysis of Office of Justice Programs and City of Oklahoma City Data

APPENDIX V

COST CATEGORY	BUDGET (\$)	EXPENDITURES PER ACCOUNTING RECORDS (\$)	AMOUNT UNDER BUDGET (\$)	AMOUNT OVER BUDGET (\$)
2008-WS-QX-0189				
Personnel	98,703	80,347	(18,356)	
Fringe Benefits	14,405	8,612	(5,793)	
Travel	6,800	2,174	(4,626)	
Equipment	0	0		
Supplies	677	217	(460)	
Construction	0	0		
Contract/Consultant	21,508	26,051		4,543
Other (space/utilities)	7,907	16,796		8,889
Total Direct Costs	150,000	134,197	(29,235)	13,432
Indirect Costs				
Total	150,000			
Federal Funds	150,000			
Local Match	50,000			
Allowable 10% of Total Budget				15,000
Unallowable Amount (Amount Over Budget – 10% Allowable)				0
Note: This is an open grant that is still ongoing.				

Source: OIG Analysis of Office of Justice Programs and City of Oklahoma City Data

COST CATEGORY	BUDGET (\$)	EXPENDITURES PER ACCOUNTING RECORDS (\$)	AMOUNT UNDER BUDGET (\$)	AMOUNT OVER BUDGET (\$)
2008-PG-BX-0005				
Personnel	1,039,940	444,032	(595,638)	
Fringe Benefits	217,512	0	(217,512)	
Travel	67,000	53,211	(13,789)	
Equipment	228,087	138,840	(89,247)	
Supplies	159,825	46	(159,779)	
Construction	0	0		
Contract/Consultant	758,336	142,211	(616,125)	
Other (space/utilities)	29,300	1,339	(27,961)	
Total Direct Costs	2,500,000	779,950	(1,720,050)	
Indirect Costs				
Total	2,500,000			
Federal Funds	2,500,000			
Local Match				
Allowable 10% of Total Budget				
Unallowable Amount (Amount Over Budget – 10% Allowable)				0
Note: This is an open grant that is still ongoing.				

Source: OIG Analysis of Office of Justice Programs and City of Oklahoma City Data

FINANCIAL STATUS REPORT TIMELINESS

GRANT NUMBER	REPORT PERIOD FROM – TO DATES	FSR DUE DATES	DATE SUBMITTED	DAYS LATE
2004-WS-Q4-0227	1/1/06 – 3/31/06	5/15/06	6/13/06	29
	4/1/06 – 6/30/06	8/14/06	9/28/06	45
	7/1/06 – 9/30/06	11/14/06	12/18/06	34
	10/1/06 – 12/31/06	3/31/07	2/9/07	0
2005-WS-Q5-0064	7/1/05 – 9/30/05	11/14/05	11/16/05	2
	10/1/05 – 12/31/05	2/14/06	2/15/06	1
	1/1/06 – 3/31/06	5/15/06	6/19/06	35
2005-WS-Q5-0164	4/1/06 – 5/30/06	8/28/06	9/27/06	30
	10/1/05 – 12/31/05	2/14/06	2/15/06	1
	1/1/06 – 3/31/06	5/15/06	6/13/06	29
2005-WS-Q5-0302	4/1/06 – 6/30/06	8/14/06	8/18/06	4
	7/1/06 – 9/30/06	12/29/06	11/16/06	0
	10/1/06 – 12/31/06	2/14/07	2/11/07	0
2006-WS-Q6-0083	1/1/07 – 3/31/07	5/15/07	5/15/07	0
	4/1/07 – 6/30/07	8/14/07	8/15/07	1
	7/1/07 – 9/30/07	11/14/07	12/19/07	35
2006-WS-Q6-0084	10/1/07 – 12/31/07	3/31/08	3/28/08	0
	1/1/07 – 3/31/07	5/15/07	5/16/07	1
	4/1/07 – 6/30/07	8/14/07	8/15/07	1
2007-WS-Q7-0042	7/1/07 – 9/30/07	12/29/07	12/31/07	2
	1/1/08 – 3/31/08	5/15/08	5/20/08	5
	4/1/08 – 6/30/08	8/14/08	8/20/08	6
2007-WS-Q7-0113	7/1/08 – 9/30/08	11/14/08	11/14/08	0
	10/1/08 – 12/31/08	3/31/09	5/12/09	42
	1/1/08 – 3/31/08	5/15/08	5/20/08	5
2007-DD-BX-0631	4/1/08 – 6/30/08	8/14/08	11/14/08	92
	7/1/08 – 9/30/08	11/14/08	11/14/08	0
	10/1/08 – 12/31/08	3/31/09	5/12/09	42
2008-WS-QX-0189	7/1/08 – 9/30/08	11/14/08	11/14/08	0
	10/1/08 – 12/31/08	2/14/09	2/13/09	0
	1/1/09 – 3/31/09	5/15/09	5/14/09	0
2008-PG-BX-0005	4/1/09 – 6/30/09	8/14/09	8/14/09	0
	10/1/08 – 12/31/08	2/14/09	2/15/09	1
	1/1/09 – 3/31/09	5/15/09	5/14/09	0
2008-PG-BX-0005	4/1/09 – 6/30/09	8/14/09	8/14/09	0
	10/1/08 – 12/31/08	2/14/09	2/13/09	0
	1/1/09 – 3/31/09	5/15/09	5/14/09	0
2008-PG-BX-0005	4/1/09 – 6/30/09	8/14/09	8/14/09	0

Source: Office of Justice Programs

FINANCIAL STATUS REPORT ACCURACY¹¹

GRANT NUMBER	REPORT PERIOD FROM – TO DATES	EXPENDITURES PER FSR	EXPENDITURES PER ACCOUNTING RECORDS	DIFFERENCE BETWEEN FSR & ACCOUNTING RECORDS ¹²
2004-WS-Q4-0227	1/1/06 – 3/31/06	0	0	0
	4/1/06 – 6/30/06	0	0	0
	7/1/06 – 9/30/06	0	0	0
	10/1/06 – 12/31/06	0	5,153	5,153
2005-WS-Q5-0064	7/1/05 – 9/30/05	20,378	20,619	241
	10/1/05 – 12/31/05	35,988	46,485	10,497
	1/1/06 – 3/31/06	11,818	5,377	(6,441)
	4/1/06 – 5/30/06	55,629	123,813	(49,427)
2005-WS-Q5-0164	10/1/05 – 12/31/05	0	0	0
	1/1/06 – 3/31/06	0	0	0
	4/1/06 – 6/30/06	35,013	50,000	14,987
	7/1/06 – 9/30/06	64,987	42,095	(22,892)
2005-WS-Q5-0302	10/1/06 – 12/31/06	5,100	11,307	6,207
	1/1/07 – 3/31/07	0	9,820	9,820
	4/1/07 – 6/30/07	0	(16,163)	(16,163)
	7/1/07 – 9/30/07	10,907	25,742	14,835
2006-WS-Q6-0083	1/1/07 – 3/31/07	73,615	19,850	(53,765)
	4/1/07 – 6/30/07	32,861	19,942	(12,919)
	7/1/07 – 9/30/07	15,649	86,067	70,418
	10/1/07 – 12/31/07	47,233	21,688	(25,545)
2006-WS-Q6-0084	10/1/06 – 12/31/06	31,735	44,686	12,951
	1/1/07 – 3/31/07	36,254	44,262	8,008
	4/1/07 – 6/30/07	31,863	47,854	15,991
	7/1/07 – 9/30/07	82,055	(12,065)	(94,120)
2007-WS-Q7-0042	1/1/08 – 3/31/08	56,520	57,038	518
	4/1/08 – 6/30/08	51,545	88,419	36,874
	7/1/08 – 9/30/08	21,450	11,985	(9,465)
	10/1/08 – 12/31/08	24,503	7,122	(17,381)

¹¹ Differences in total amounts are due to rounding. For example, the sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

¹² For those quarters that had a positive difference between the FSR and the accounting records, we do not consider this an issue.

APPENDIX VII

GRANT NUMBER	REPORT PERIOD FROM – TO DATES	EXPENDITURES PER FSR	EXPENDITURES PER ACCOUNTING RECORDS	DIFFERENCE BETWEEN FSR & ACCOUNTING RECORDS ¹²
2007-WS-Q7-0113	1/1/08 – 3/31/08	59,821	82,502	22,681
	4/1/08 – 6/30/08	53,319	109,050	55,731
	7/1/08 – 9/30/08	19,560	(38,944)	(58,504)
	10/1/08 – 12/31/08	8,922	3,221	(5,701)
2007-DD-BX-0631	7/1/08 – 9/30/08	49,500	31,054	(18,446)
	10/1/08 – 12/31/08	49,941	67,956	18,015
	1/1/09 – 3/31/09	135,495	135,495	0
	4/1/09 – 6/30/09	302,773	303,133	360
2008-WS-QX-0189	10/1/08 – 12/31/08	2,154	2,154	0
	1/1/09 – 3/31/09	33,985	33,985	0
	4/1/09 – 6/30/09	78,067	78,562	495
2008-PG-BX-0005	7/1/08 – 9/30/08	86,300	156,139	69,839
	10/1/08 – 12/31/08	321,902	137,812	(184,090)
	1/1/09 – 3/31/09	208,836	184,182	(24,654)
	4/1/09 – 6/30/09	7,489	75,893	68,404

Source: Office of Justice Programs and Oklahoma City

The City of
OKLAHOMA CITY
OFFICE OF THE CITY MANAGER

May 18, 2010

David M. Sheeren
Acting Regional Audit Manager
Dallas Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
207 South Houston Street, Box 4
Dallas, TX 75202

Dear Mr. Sheeren:

This letter is a response to the draft audit report dated April 27, 2010 concerning ten Weed and Seed Grants, one Targeting Violent Crime Initiative Grant, and one Anti-Gang Pilot Site Program Grant at The City of Oklahoma City. A separate copy of the report has also been provided to the Office of Justice Programs (OJP).

The City of Oklahoma City Weed and Seed Office and its related grant programs were transferred from the Neighborhood Services Department to the Police Department effective July 1, 2009. Police Department staff began a complete review of all grant programs to determine the status of each. Certain errors and discrepancies were noted that led to a more intensive review of grant documentation and a detailed inventory of all grant purchased equipment. Over the course of the next two months, based upon the review by the Police Department, the City determined that certain grant charges needed to be corrected and adjustments were made to move those charges to the City's General Fund. By the latter part of August, the Police Department had completed a significant amount of review work and determined that notification of the issues should be given to the U.S. Attorney who chairs the Weed and Seed Steering Committee. After meeting with the Police Department, the U.S. Attorney decided the Office of the Inspector General should be notified. The OIG Inspector met with the Police Department to review the information and decided to initiate the audit.

The City responses to the recommendations listed on pages 20 and 21 of the draft audit report are listed below.

1. The City of Oklahoma City will draft internal control policies and procedures for grant fund program managers.
2. The City of Oklahoma City will draft procedures to implement automatic transaction restrictions on grant subaccounts 90 days after the grant performance period.

APPENDIX VIII

3. The City of Oklahoma City will provide all available documentation for charges adjusted to expired grant accounts which were incurred before the end of the grant performance periods.
4. The City of Oklahoma City will work with OJP to discuss appropriate remedies and mitigating factors.
5. The City of Oklahoma City will utilize a timekeeping system to meet the recommended objective. Procedures for timekeeping will be included in the program manager internal control policies and procedures.
6. The City of Oklahoma City will implement the use of program codes or account level budgets for all grants with restricted line item budgets. This will limit over-expenditure at the budget category level in accordance with applicable grant requirements.
7. The City of Oklahoma City will request guidance from OJP and comply with OJP instructions regarding accountable property purchased with Federal grant funds.
8. The City of Oklahoma City will draft policies and procedures to ensure accurate FSR's and will amend inaccurate FSR's as needed.

/s/ M. T. Berry

M. T. Berry
Assistant City Manager

/s/ Laura A. Johnson

Laura A. Johnson
Finance Director

cc: William Citty
Chief of Police
City of Oklahoma City

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

Linda J. Taylor
Lead Auditor
Audit and Review Division
Office of Audit, Assessment and
Management

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

APPENDIX IX

U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

MAY 26, 2010

MEMORANDUM TO: David M. Sheeren
Acting Regional Audit Manager
Office of the Inspector General
Dallas Regional Audit Office

/s/ M. A. Henneberg

FROM: Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Community Capacity Development Office and Bureau of Justice Assistance, Grants Awarded to Oklahoma City, Oklahoma*

This memorandum is in response to your correspondence, dated April 27, 2010, transmitting the subject draft audit report for Oklahoma City (City). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains eight recommendations and \$306,601 in questioned costs. For ease of review, the draft audit report recommendations are restated in bold and are followed by the Office of Justice Programs (OJP) response.

- 1. We recommend that OJP ensures that the City implements procedures to ensure that all departments that handle OJP grant funds maintain a proper internal control structure.**

We agree with the recommendation. We will coordinate with the City to obtain a copy of implemented procedures ensuring that all departments that handle OJP grant funds maintain a proper internal control structure.

- 2. We recommend that OJP requires the City to apply automatic restrictions on OJP grant subaccounts that prohibit transactions 90 days after the end of the performance period of each grant.**

We agree with the recommendation. We will coordinate with the City to ensure that they apply automatic restrictions on OJP grant subaccounts that prohibit transactions 90 days after the end of the performance period of each grant.

3. **We recommend that OJP requires the City to provide documentation showing that individual charges adjusted to expired grant accounts were incurred before the end of the grant performance periods.**

We agree with the recommendation. We will coordinate with the City to obtain documentation showing that individual charges adjusted to expired grant accounts were incurred before the end of the grant performance periods.

4. **We recommend that OJP remedy the \$212,361 in questioned costs identified as unsupported or unallowable expenditures. In addition, remedy the \$94,240 in questioned matching contributions not met.**

We agree with the recommendation. We will coordinate with the City to remedy the \$212,361 in questioned costs related to unsupported or unallowable expenditures charged to various grants and the \$94,240 in matching contributions not met for grant numbers 2007-WS-Q7-0042 and 2007-WS-Q7-0113.

5. **We recommend that OJP requires the City to develop a timekeeping system that allows employees to track their time on multiple projects.**

We agree with the recommendation. We will coordinate with the City to ensure they develop a timekeeping system that allows employees to track their time on multiple projects.

6. **We recommend that OJP requires the City to identify and account for funds in the appropriate budget categories.**

We agree with the recommendation. We will coordinate with the City to ensure they identify and account for funds in the appropriate budget categories.

7. **We recommend that OJP ensures that the City remedy the discrepancies and accounts for accountable property items purchased with Federal grant funds and requires proper and updated accountable property records.**

We agree with the recommendation. We will coordinate with the City to remedy the discrepancies in inventory records. Additionally, we will ensure that the City implements practices to properly account for accountable property items purchased with Federal grant funds, and maintain proper and updated accountable property records.

8. **We recommend that OJP requires the City to develop procedures to ensure accurate Financial Status Reports (FSRs) and amend inaccurate FSRs as needed.**

We agree with the recommendation. We will coordinate with the City to ensure that they develop and implement procedures to ensure accurate preparation and revision of Federal Financial Reports as needed.

APPENDIX IX

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

Gerardo Velazquez
Program Manager
Bureau of Justice Assistance

Faith Baker
Associate Director
Community Capacity Development Office

Samuel Beamon
Program Manager
Community Capacity Development Office

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

OJP Executive Secretariat
Control Number 20100750

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

The OIG provided the draft audit report to OJP and the City for review and comment. The OJP response is included as Appendix IX, and the City response is included as Appendix VIII of this final report.

In response to our audit report, OJP and the City agreed with all eight of our recommendations. They provided discussion of the actions the City will implement in response to our findings. The status and actions necessary to close the recommendations is provided below.

1. **Resolved.** OJP and the City concurred with our recommendation that the City implement procedures to ensure all departments that handle OJP grant funds maintain a proper internal control structure. This recommendation can be closed when the City provides the OIG with implemented procedures requiring all City departments that handle OJP grant funds to maintain a proper internal control system that includes appropriate segregation of duties.
2. **Resolved.** OJP and the City concurred with our recommendation that the City apply automatic restrictions on OJP grant subaccounts that prohibit transactions 90 days after the end of the performance period of each grant. This recommendation can be closed when the City provides the OIG with City management certification that automatic restrictions prohibiting transactions from occurring on DOJ grants 90 days after the end of the performance period is in place.
3. **Resolved.** OJP and the City concurred with our recommendation that the City provide documentation showing that individual charges to expired grants accounts were incurred before the end of the grant performance periods. This recommendation can be closed when the City provides the OIG documentation that substantiates the individual charges to expired grants were incurred prior to the end of the grant performance periods. If such documentation cannot be provided, the OJP should provide evidence that the funds have been returned.

4. **Resolved.** OJP and the City concurred with our recommendation that the City remedy the \$212,361 in questioned costs identified as unsupported or unallowable expenditures and the \$94,240 in matching contributions not met. This recommendation can be closed when the City provides the OIG with documentation to support the unsupported expenditures or documentation that substantiates the unallowable expenditures were allowable according to the approved grant award. In addition, provide documentation that substantiates that the matching contribution was met. If appropriate supporting documentation cannot be provided, evidence that the funds have been returned to OJP.
5. **Resolved.** OJP and the City concurred with our recommendation that the City develop a timekeeping system that allows employees to track their time on multiple projects. This recommendation can be closed when the City provides the OIG with documentation that substantiates a timekeeping system has been implemented at the City that requires employees to track their time spent working on federal grant projects in accordance with OMB Circular A-87.
6. **Resolved.** OJP and the City concurred with our recommendation that the City identify and account for funds in the appropriate budget categories. This recommendation can be closed when the City provides the OIG with documentation that accounts for all funds in the appropriate budget category for each of the three grants in which a determination could not be made as to what budget category the funds belonged.
7. **Resolved.** OJP and the City concurred with our recommendation that the City remedy the discrepancies and account for property items purchased with federal grant funds and provide proper and updated accountable property records. This recommendation can be closed when the City provides the OIG with documentation substantiating that an inventory has been completed and that the inventory properly accounts for all nonexpendable property items purchased with OJP grant funds.
8. **Resolved.** OJP and the City concurred with our recommendation that the City develop procedures to ensure future FSRs submitted by the City are accurate and amend inaccurate FSRs as needed. This recommendation can be closed when the City provides the OIG with documentation that

substantiates procedures have been implemented to ensure accurate FSRs are submitted and copies of amended FSRs required by OJP.