



**OFFICE OF JUSTICE PROGRAMS
EDWARD BYRNE MEMORIAL DISCRETIONARY GRANTS
AWARDED TO THE BALTIMORE CITY
HEALTH DEPARTMENT, BALTIMORE, MARYLAND**

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

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EXECUTIVE SUMMARY

The Edward Byrne Memorial Discretionary Grant Programs (Byrne Grants), administered by the Office of Justice Programs, Bureau of Justice Assistance, assist communities to improve state and local justice systems, including strategies to reduce violent crime through community-based, data-driven programs. In 2005, the Baltimore City Health Department (Baltimore or grantee) received Byrne award number 2005-DD-BX-1233 (2005 grant) totaling \$1,479,965 to initiate a neighborhood-based, anti-violence program called "Safe Streets." In 2009, Baltimore received Byrne award, number 2009-SC-B9-0129 (2009 grant) for \$1 million to continue its Safe Streets initiative. This award was funded as part of the American Reinvestment and Recovery Act of 2009 (Recovery Act).

Recovery Act

In February 2009, Congress passed the Recovery Act to help create jobs, stimulate the economy and investment in long term growth, and foster accountability and transparency in government spending. The Department of Justice received \$4 billion in Recovery funds, of which \$125 million was made available through the Edward Byrne Memorial Competitive Grant Program. Recipients of Recovery Act funds are required to report quarterly to the FederalReporting.gov website on how they spent their Recovery Act funds and the number of jobs created or saved.

Audit Results

The objectives of the audit were to determine whether Baltimore used grant funds for costs that were allowable, supported, and in accordance with applicable laws, regulations, and the terms and conditions of the grants, and to assess program performance and accomplishments. To accomplish these objectives, we tested whether Baltimore complied with essential grant conditions pertaining to: (1) internal controls; (2) grant drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) financial and progress reports; (6) Recovery Act reporting; (7) program performance and accomplishments; and (8) monitoring of sub-recipients. Based on a review of the award

applications and expenditure activity, we determined that the awards did not include any matching costs or program income.

The audit found that the grantee:

- Needs to strengthen its financial system controls so that future grant expenses are allocated to and tracked by the correct accounting code.
- Needs to implement procedures that ensure future financial reports are accurate in that they agree with the official accounting records.
- Drew down from the 2005 grant \$24,746 in excess of general ledger expenditures.¹
- Did not have adequate supporting documents for \$24,735 of 2005 grant expenses and \$13,619 in 2009 grant expenses.
- Spent \$6,157 of 2005 grant funds on unallowable costs.

The Findings and Recommendations section of the report details these issues further. Our audit objectives, scope, and methodology appear in Appendix I.

¹ OJP's minimum cash on hand requirements state that recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements and reimbursements to be made immediately or within 10 days.

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INTRODUCTION

The Office of Justice Programs (OJP), Bureau of Justice Assistance, administers the Edward Byrne Memorial Discretionary Grant programs (Byrne grants) to provide support for local efforts to improve the functioning of the criminal justice system, including strategies to reduce violent crime through community-based, data-driven programs.

The Department of Justice Office of the Inspector General (OIG) has completed an audit of two Byrne grants awarded to the Baltimore City Health Department (Baltimore or grantee). The objectives of the audit were to determine whether Baltimore used grant funds for costs that were allowable, supported, and in accordance with applicable laws, regulations, and the terms and conditions of the grants, and to assess program performance and accomplishments.

Exhibit 1 lists the two Baltimore Byrne grants reviewed by this audit. The first award, grant number 2005-DD-BX-1233 (2005 grant), totaled \$1,479,965 and was congressionally mandated. The second award, grant number 2009-SC-B9-0129 (2009 grant), totaled \$1,000,000, and was funded as part of the American Reinvestment and Recovery Act of 2009 (Recovery Act).²

EXHIBIT 1: BALTIMORE BYRNE GRANTS

Grant Award	Award Start Date	Award End Date	Award Amount (\$)
2005-DD-BX-1233	06/01/2005	11/30/2009	1,479,965
2009-SC-B9-0129	08/01/2009	07/31/2011	1,000,000
Total:			\$ 2,479,965

Source: Office of Justice Programs

The purpose of the Byrne grants shown in Exhibit 1 was to support Baltimore City Health Department efforts to implement a local "Safe Streets" program. Safe Streets specifically sought to develop projects in targeted Baltimore neighborhoods to intervene with teenagers and young adults at

² In February 2009, Congress passed the Recovery Act to help create jobs, stimulate the economy and investment in long-term growth, and foster accountability and transparency in government spending. Recipients of Recovery Act grants are required to report quarterly to FederalReporting.gov on how they spent their Recovery Act funds and the number of jobs created or saved. The Department of Justice received \$4 billion in Recovery Act funds, of which \$125 million was made available through the Edward Byrne Memorial Discretionary Grant Program.

risk of committing violent crimes. The goals of the Safe Streets initiative included: (1) reducing the incidence of murder and other violent crime, (2) mobilizing community members against violent crime, and (3) providing services and conflict intervention skills to members of the Baltimore community.

Background

The Baltimore City Health Department is an agency of the City of Baltimore government. Its mission is to advocate, lead, and provide services that promote and protect the health of the residents of Baltimore. Baltimore established its Office of Youth Violence Prevention in October 2002 to combat an epidemic of violence among Baltimore's youth and support traditional public safety strategies using a combination of public health and human service models to reduce violence.

According to the grantee, the City of Baltimore's homicide rate has proved intractable. After the number of homicides in the city jumped almost 7 percent between 2002 and 2003, the Office of Youth Violence Prevention began its Safe Streets initiative based on another program first implemented in Chicago called "CeaseFire." A Northwestern University evaluation of Chicago's Ceasefire initiative concluded that it contributed to a significant decline in shootings and gang-related homicides.

Audit Approach

To accomplish the objectives of the audit, we tested compliance with what we consider the most important conditions of the grant. Unless otherwise stated in our report, the criteria we applied to evaluate compliance are provided by the OJP Financial Guide, issued by OJP to assist grantees in following requirements to safeguard federal award funds. Specifically, we tested compliance with the following applicable grant requirements:

- **Internal control environment** to determine whether the internal controls in place for processing and payment of funds were adequate to safeguard grant funds and comply with grant terms and conditions.
- **Reporting** to determine if the award recipient submitted complete and accurate Financial Status and Federal Financial Reports, activity progress reports, and quarterly Recovery Act Reports as required.

- **Drawdowns** to determine if Baltimore properly managed grant receipts in accordance with federal requirements.
- **Grant expenditures** to determine whether costs charged to the grant were accurately recorded, adequately documented, and allowable.
- **Supplanting** to ensure that Baltimore used applicable award funds to supplement and not replace existing program funds.
- **Management of contractors** to evaluate whether Baltimore ensured that contractors tracked and safeguarded award funds.
- **Budget management and control** to ensure that the award recipient did not make excessive transfers of funds between budget categories without prior approval.
- **Program performance measures and accomplishments** to determine if the award recipient met or is capable of meeting the objectives of the reviewed grants.

The awards received by the grantee did not include matching requirements and did not generate program income. The Findings and Recommendations section of the report details the results of our analysis. Our audit objectives, scope, and methodology are further detailed in Appendix I.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

The Baltimore City Health Department (Baltimore) prepared inaccurate financial reports, did not require employees working on multiple projects document time spent on grant activities, and charged the grants a total of \$6,157 in unallowable costs and \$63,100 in unsupported costs. As a result, this audit recommends that OJP remedy \$69,257 in grant charges.

Internal Control Environment

Throughout the audit, we consulted the Baltimore Comprehensive Annual Financial Audit Reports (Single Audits) for its fiscal years (FY) ending June 30, 2009 and June 30, 2010. We also reviewed the systems, policies, and procedures employed by Baltimore employees to track and safeguard Byrne grant funds and assess their risk of non-compliance with laws, regulations, and other conditions of the awards. We interviewed and observed employees of several different city offices (such as payroll, purchasing, and accounts payable) to review how they approve grant fund purchases, track obligations, and process payments paid for with award funds.

Financial Management System

Baltimore used a city-wide accounting system to process grant transactions. Within the accounting system, Baltimore established separate sub-accounting codes with which it identified grant-related transactions. We found that Baltimore began using its new accounting system in March 2009, which was toward the end of the 2005 grant's performance period. However, we were told that Baltimore encountered software problems while it converted data from the old accounting system to the new accounting system. These problems resulted in transactions not being mapped between different sub-accounts correctly and the loss of transaction dates for entries occurring before the conversion. Baltimore officials also explained that grant expenses within each sub-accounting code were transferred to the new system by month. As a result, we found that: (1) the first transaction listed in the new accounting system for the account code reserved for the 2005 grant showed that the first transaction had a posting date in 2008 (even though the first transaction took place in 2005), and (2) multiple transactions within sub-accounting codes during a given month were reflected as a single transaction in the new accounting system.

Further, ledgers generated from the new accounting system contained many adjusted and reversed entries. Although some of the corrected entries can be explained by issues Baltimore encountered while converting to its new accounting system, the sheer number of reversal entries leads us to believe that Baltimore should improve how it identifies and tracks individual grant charges. For example, Baltimore captured all 2009 grant payroll costs in an incorrect accounting code. This resulted in the 2009 grant not being charged any salary or fringe benefit costs until an adjusted journal entry was made during our fieldwork. Therefore, we recommend that the OJP require that Baltimore strengthens its financial system controls so that future grant expenses are allocated to and tracked by the correct accounting code.

Single Audits

According to Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted annually and due no later than 9 months after the end of the fiscal year.³

For this audit, the most recent Single Audit was for Baltimore Fiscal Year 2010, which ended on June 30, 2010. We reviewed the findings of Baltimore Single Audits for FYs 2009 and 2010 and determined there were no findings that specifically pertained to the Safe Streets program, which was not tested. Nevertheless, both Single Audits included findings applicable to the Baltimore City Health Department: (1) inaccurate financial reporting; (2) untimely financial reporting; (3) inadequate procedures for financial reporting and grant accounting requirements; (4) untimely liquidation of obligations; and (5) a lack of support for earmarking, program income, and internal monitoring. We considered these findings, as well the status of actions Baltimore agreed to undertake to resolve them, while performing this audit.

³ A Single Audit is intended to provide a cost-effective audit for non-Federal entities in that one consolidated audit is conducted in lieu of multiple audits of individual programs. The Single Audit typically is conducted by an organization's external auditors.

Reporting

According to the OJP Financial Guide, award recipients are required to submit both financial and program reports to describe the status of the funds, compare actual accomplishments to the objectives, and report other pertinent information.

Financial Status and Federal Financial Reports

Prior to October 2009, the grantee was required to submit quarterly Financial Status Reports (FSR) to OJP within 45 days after the end of each quarterly reporting period. Beginning October 1, 2009, the Federal Financial Reports (FFR) replaced the FSRs and are due 30 days after the end of each calendar quarter. A final financial report is due 90 days after the end of the grant period. The Financial Guide also states that these financial reports should be accurate and disclose expenditures and unliquidated obligations at the lowest funding level related to each grant.⁴

We reviewed the last four financial reports submitted during the award period and found they were generally timely. One report was submitted 3 days late, which we did not consider to be material.

For each sampled financial report, we sorted transactions posted to each grant's general ledger by date and added the entries by quarter. As indicated in Exhibit 2, we found that the financial reporting of expenditure amounts for both grants did not agree with the grantee accounting records.

EXHIBIT 2: 2005 GRANT FINANCIAL REPORTS

Report Period End Date	Grant Expenses Per Report (\$)	Grant Expenses Per Accounting Records (\$)	Difference (\$)
03/31/2009	34,176	15,156	(19,020)
06/30/2009	32,637	32,870	233
09/30/2009	256,397	256,396	1
12/31/2009	119,301	29,150	(90,151)

Source: OJP and grantee accounting records

⁴ Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred where an outlay has not yet been recorded.

Further, we reviewed four financial reports for the 2009 grant for accuracy and, as shown in Exhibit 3, found that reported expenditure amounts also did not agree with the grantee records.

EXHIBIT 3: 2009 GRANT FINANCIAL REPORTS

Report Period End Date	Grant Expenses Per Report (\$)	Grant Expenses Per Accounting Records (\$)	Difference (\$)
03/31/2010	960	0	(960)
06/30/2010	58,800	0	(58,800)
09/30/2010	0	0	0
12/31/2010	0	4,935	4,935

Source: OJP and grantee accounting records

To ascertain what caused the discrepancies between actual and reported figures, we asked a Baltimore official how they prepared the financial reports. The official told us that they do not usually base reported quarterly financial activity on transaction details by quarter. Instead, the grantee generates a summary record, referred to as a “Level III,” and compares the total reported financial activity on the Level III against the financial activity noted on the prior financial report to calculate the total expenses for the quarter. However, for the financial reports we tested, our review of the summary records did not always produce the reported expenditure amounts. Baltimore officials noted that after they converted to a new city-wide accounting system, they found it difficult to reconcile the summary records to the general ledger.⁵

We believe that Baltimore’s reliance on these summary records to generate financial report data does not result in accurate financial reports. Inaccurate financial reports impede OJP’s ability to monitor grant progress. Therefore we recommend OJP require that Baltimore develop procedures to ensure future financial reports are accurate.

Progress Reports

The grantee was also required to submit semi-annual progress reports setting forth grant accomplishments. According to the OJP Financial Guide,

⁵ The Baltimore City Single Audit Report for the Fiscal Years ending June 30, 2009 and June 30, 2010 contained similar findings of inaccurate financial reporting for other grantee programs.

progress reports are due every six months for the life of the grant on January 30 and July 30. We tested the last two reports of the 2005 grant for accuracy. We compared the progress reports content with supporting Baltimore contractor documents that detailed the mediation meetings, client outreach and services, face-to-face contacts, and recruitment activities performed each month. This comparison demonstrated that the tested progress reports were accurate.

The progress reports for the 2005 grant were mostly on time with the exception of two reports, which we found were 3 and 62 days late, respectively. However, because the 2005 grant has already ended and the two progress reports for the 2009 grant were timely, we do not take any exception.

Recovery Act Reports

For Recovery Act grants, grantees are required to report quarterly to FederalReporting.gov website their grant expenditures and the number of jobs created or saved. We reviewed the grantee's reports on jobs created or saved by Recovery Act funds. As of June 30, 2011, the grantee reported creating or saving 15.5 new jobs, including one part-time Baltimore employee and 15 contractor employees. The Recovery Act report accurately reported jobs created or saved with grant funds.

Drawdowns

According to the OJP Financial Guide, award recipients should request funds based upon their immediate cash needs. This means that recipients should time their drawdown requests to maintain the minimum cash on hand needed within 10 days. As of February 5, 2012, the grantee had not drawn down any grant funds for the 2009 grant. Baltimore officials stated that they requested drawdowns for the 2005 grant to be reimbursed for grant-related expenditures. As discussed above, when Baltimore converted to its new accounting system in March 2009, certain transaction information, such as the posting date, was lost. Because the actual date for each transaction was not available on the 2005 grant's general ledger, we could not confirm whether Baltimore requested drawdowns strictly on a reimbursement basis or whether it complied with the 10-day rule.

On March 3, 2010 (which was 93 days after the end of the 2005 grant's performance period), OJP sent Baltimore a notice that \$442,511 remained available and would be de-obligated if not drawn down. The grantee then drew down these remaining funds later that month. A

Baltimore official explained that for most of the grant performance period only one individual could request OJP drawdowns for the grantee. That individual was out of the office on sick leave for a large portion of the year, and as a result did not submit the drawdown request before OJP sent the notification.

As shown by Exhibit 4, Baltimore ultimately requested and received three drawdowns totaling \$1,479,965.

EXHIBIT 4: 2005 GRANT DRAWDOWNS

Drawdown Date	Amount (\$)
03/11/2008	375,981
02/10/2009	661,473
03/16/2010	442,511
TOTAL DRAWDOWNS	\$1,479,965

Source: OJP

According to the 2005 grant general ledger, Baltimore expended a total of \$1,455,219 in grant funds. A Baltimore official told us that the difference between the drawdown amount and the funds expended, or \$24,746, should have been used to pay for accounting services performed during the grant period. However, Baltimore was not able to provide adequate support for this amount and as of June 30, 2011, \$24,746 remained unexpended on the 2005 grant’s general ledger. Because the grant performance period has expired and the funds remain unexpended, we recommend that OJP remedy the \$24,746 in overdrawn and unsupported 2005 grant funds as questioned costs.

Grant Expenditures

The *OJP Financial Guide* establishes the factors affecting the allowability, reasonableness, and allocability of costs grantees and subrecipients may charge to DOJ grants. Baltimore established separate sub-accounting codes in its general ledger to track costs incurred for each grant. Exhibit 5 details the funds Baltimore spent or allocated to the two Byrne grants.⁶

⁶ For the 2009 grant, we refer to allocated costs instead of expenses, because, as of February 5, 2012, the grantee did not request reimbursement of costs it has incurred as a result of 2009 grant activities.

**EXHIBIT 5: EXPENDED AND ALLOCATED GRANT CHARGES
BY COST CATEGORY**

Cost Category	2005 Grant Amount Expended (\$)	2009 Grant Amount Allocated (\$)
Payroll (Salary and Fringe Benefits)	395,647	13,619
Travel	16,402	2,635
Equipment	15,783	0
Supplies	11,168	3,905
Consultants and Contractors	951,290	307,693
Other	64,929	4,140
TOTAL	\$1,455,219	\$331,992

Source: Auditor review of Baltimore general ledger account numbers 4000-419305-3160 and 4000-485110-5750 as of June 30, 2011.

Non-Payroll Transactions

The total charges allocated to the grants for non-payroll (salary and fringe benefits) costs totaled \$1,377,945. We judgmentally selected a sample of 39 entries listed in the account numbers Baltimore used to track grant expenses.⁷ We tested 32 entries for the 2005 grant totaling \$1,054,965 and 7 entries for the 2009 grant totaling \$314,403. The purpose of this test was to assess whether costs charged or allocated to the grants were adequately supported and allowable under the tenets of the OJP Financial Guide. We determined that tested charges totaling \$1,338,476 were properly supported and allowable. However, as indicated by Exhibit 6, we identified \$24,735 in unsupported and \$6,157 in unallowable costs allocated to the 2005 grant.

⁷ As described previously, the Baltimore Department of Health began using a new city-wide accounting system in March 2009. We found that accountants made a series of monthly adjusted journal entries to the new accounting code number (419305) established for the 2005 grant to account for grant expenses paid before the conversion. Baltimore stated that software problems led to these entries losing the original date of the transaction.

As summary adjustments, entries in the new system actually comprised several different transactions grouped as a single entry. For example, one entry for \$10,831 in travel costs was actually 27 separate disbursements paid to different employees for multiple grant-related trips at variable dates. Our transaction testing therefore: (1) could not ascertain the timeliness of grant-related payments and (2) selected a judgmental sample of different accounting system entries instead of separate expenses.

EXHIBIT 6: 2005 GRANT UNSUPPORTED AND UNALLOWABLE NON-PAYROLL COSTS

Charge Description	Unsupported Costs (\$)	Unallowable Costs (\$)
Contractor Fringe Benefits. Fringe benefit costs include Social Security and Medicare payments, medical fees, and unemployment taxes. A subrecipient invoice included \$25,189 in fringe benefit costs that was charged to the grant. Documents only supported a total of \$9,291 in fringe benefit costs, leaving \$15,898 in charges that are unsupported.	15,898	0
Travel. A single entry for \$10,831 actually comprised 27 separate travel payments. Documents provided by the auditee supported only 9 of these payments totaling \$3,240. Of the 18 remaining charges, 10 totaling \$2,829 lacked documents necessary to support adequately the expense, such as hotel invoices or signed approvals. The auditee was unable to provide any documents to support 8 other charges totaling \$4,762.	7,591	0
Office Supplies. An entry totaling \$2,071 actually consisted of 14 separate charges. The auditee provided adequate support for 2 of these charges totaling \$274. Six charges totaling \$922 lacked adequate support such as invoices or proof of payment and we determined them to be unsupported. Six other charges totaling \$875 were invoiced to other Baltimore projects that should not have been supported by 2005 grant funds.	922	875
Rent. A charge of \$7,369, or over 35 percent of an overall rent bill of \$19,650, was incorrectly allocated to the new accounting system number reserved for the 2005 grant. According to the rental approval documents, the grant should only have been charged 12.5 percent of the invoiced rent cost, or \$2,456. The difference between these two figures is therefore unallowable.	0	4,912
Employee Training. Based on the support provided, \$370 in employee training costs were misallocated to the 2005 grant when Baltimore converted to its new accounting system in June 2008. This charge is therefore unallowable.	0	370
Food and Beverages. The auditee used grant funds to purchase three \$500 gift cards that, in turn, were used to buy food and beverages for a Safe Streets program event. Submitted receipts supported \$1,176 out of the \$1,500 in gift card charges. The difference between the value of the gift cards and the receipts is therefore unsupported.	324	0
TOTALS	\$24,735	\$6,157

Source: Analysis of transaction support provided by Baltimore and contractor officials

Based on the results of our transaction testing, we recommend that OJP remedy \$24,735 in unsupported costs and \$6,157 in unallowable costs that Baltimore charged to the 2005 grant.

Payroll Transactions

As noted at Exhibit 5, Baltimore spent \$395,647 of 2005 grant funds and \$13,619 in 2009 grant funds on payroll costs. We therefore performed payroll testing to verify whether these charges were reasonable, accurate, and complete. For the two grants, we judgmentally selected two nonconsecutive pay periods and reviewed the payroll documentation for employees paid during those periods. Our testing found the salaries and fringe benefits charged to the 2005 grant paid for the full time salaries of at least 2 employees that worked solely on grant-related projects. As such, the payroll charges allocated to the 2005 grant appear reasonable, accurate, and complete.

Under 2 C.F.R. § 225, subsection 8.h.(4), when employees supported with federal funds work part-time on one award, the distribution of the portion of their salaries or wages applicable to the award must be supported by personnel activity reports or equivalent documents.⁸ Baltimore allocated to the 2009 grant half of the payroll costs associated with one employee. This employee worked on multiple projects, only one of which was the project supported by the 2009 grant. However, we found that Baltimore did not require that this employee track the time spent on each project. As a result, timesheets did not indicate how much time the employee worked on objectives associated with the audited grant. Without such tracking, we could not validate the \$13,619 in payroll costs charged to the 2009 grant against actual grant activity. In addition, the payroll costs allocated to the 2009 grant do not comply with the requirements set forth in 2 C.F.R. § 225. We therefore recommend that OJP remedy \$13,619 in unsupported 2009 grant payroll charges as questioned costs.

⁸ Personnel activity reports must: (1) reflect an after-the-fact distribution of the actual activity of each employee, (2) account for the total activity for which each employee is compensated, (3) be prepared at least monthly and coincide with one or more pay periods, and (4) be signed by the employee. In addition, substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. Such systems may include random moment sampling, case counts, or other quantifiable measures of employee effort.

Accountable Property

The 2005 grant had budgeted about \$13,000 for equipment purchases. Baltimore spent \$8,879 on furniture and \$4,012 on computers and accessories. We sampled 10 items purchased with grant funds and determined that Baltimore was using the items to support the Safe Streets program.

Indirect Costs

There were no indirect costs budgeted or expended for the 2005 grant. The 2009 grant did budget \$65,000 for indirect costs. However, at the time of this audit, Baltimore did not allocate any indirect costs to this grant. We noted that although the grantee developed a cost allocation plan to charge indirect costs to grant expenditures, the cost allocation plan had not been approved by OJP.

Supplanting

The OJP Financial Guide requires award recipients to use funds to supplement existing funds for program activities and not replace or supplant funds that have been appropriated for the same purposes. If an award recipient reduces funding for activities also supported by the grant, the recipient needs to demonstrate that the expected or actual receipt of federal funds did not cause the reduction in recipient-level funding.

To determine whether Baltimore properly used 2005 grant funds to supplement local funds, we assessed the terms and conditions of the grants for indications of possible supplanting.⁹ We found that the 2005 grant established a new program, the Safe Streets initiative, which involved hiring new employees and covered no preexisting duties. In addition, our review of grant expenditures considered whether tested transactions were used to supplant local funding. Based on our review of the grants and results of transaction testing, we believe the grantee used federal funds to supplement local funding as required.

⁹ As a Recovery Act award, 2009 grant funds could be used to supplant local funding.

Management and Monitoring of Contractors

The OJP Financial Guide provides that grantees “should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with overall financial management requirements.” The grantee funded four contracts under the 2005 grant, two to administer different Safe Streets sites in different Baltimore neighborhoods, one for program design and technical assistance, and a fourth to procure an evaluation of the Safe Streets program’s effectiveness.

The contractors supplied the Baltimore program manager with monthly reports detailing their work. We found that the program manager also performs monthly site visits to verify the monthly reports and meets with senior contractor staff bi-weekly to obtain technical assistance. Although the grantee funded several neighborhood sites with the 2005 grant, we learned that one contractor did not adhere to the terms of the contract in that it did not adhere to the program model and Baltimore subsequently terminated the contract. Based on the monthly reviews and meetings and Baltimore’s identification of contract discrepancies, we believe that Baltimore’s monitoring efforts were sufficient to ensure adequate award performance at the remaining neighborhood sites.

Budget Management and Control

The Financial Guide states that grantees should expend grant funds according to the budget approved by the awarding agency and included in the final award, but that moving funds between approved budget categories is allowable up to 10 percent of the total budget cost. However, whenever the cumulative amount in changes exceed 10 percent of the total award amount, prior approval from the awarding agency is required. We compared the actual amounts spent in each budget category to the budgeted amounts in the same categories for both grants and determined that the grantee did not violate the 10-percent rule.

Program Performance Measures and Accomplishments

We reviewed compliance with grant requirements to measure and evaluate accomplishments. Baltimore was awarded the two audited grants to replicate a program implemented in Chicago called "CeaseFire" that was found to have contributed to a decline in shootings and gang-related homicides.

As stated previously, the goals of Baltimore's Safe Streets Program were to: (1) reduce the incidence of violent crime in target communities, (2) mobilize community members against violent crime, and (3) provide services and conflict resolution to at-risk youth between the ages of 16 and 24. In 2009, the grantee recorded that Safe Streets: (1) provided outreach to 209 high-risk persons, on average; (2) mediated 90 conflict incidents; and (3) helped foster the employment or education of 119 clients.

A January 2009 evaluation of the program by Johns Hopkins University found that the Safe Streets Program was successful in reducing homicides and shootings in neighborhoods where it was fully implemented. A July 2011 follow-up survey of 65 Safe Streets participants found that the program had lasting positive effects. Eighty percent of respondents reported that their lives were "better" following participation in the program. A majority (52 percent) of respondents reported that Safe Streets outreach workers had helped mediate disputes. Respondents reported a total of 70 disputes where an outreach worker stepped in to mediate the conflict. Of the survey participants, 88 percent stated that Safe Streets helped them find job opportunities. More than a third of participants reported needing help with school placement or with a General Educational Development (GED) certificate. The survey reported that 95 percent of these participants stated that their outreach worker helped them acquire educational assistance.

Recommendations

We recommend that OJP:

1. Require that the Baltimore City Health Department strengthen its financial system controls so that future grant expenses are allocated to and tracked by the correct accounting code.
2. Require that the Baltimore City Health Department develop procedures to ensure future financial reports are accurate.
3. Remedy \$24,746 in overdrawn and unsupported 2005 grant funds as questioned costs.
4. Remedy \$24,735 in unsupported costs that the Baltimore City Health Department charged to the 2005 grant.
5. Remedy \$6,157 in unallowable costs that the Baltimore City Health Department charged to the 2005 grant.
6. Remedy \$13,619 in unsupported payroll charges that the Baltimore City Health Department charged to the 2009 grant.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether the Baltimore City Health Department (Baltimore) used grant funds for costs that were allowable, supported, and in accordance with applicable laws, regulations, and terms and conditions of the grants, and to assess program performance and accomplishments. To accomplish these objectives, we tested whether Baltimore complied with essential grant conditions pertaining to: (1) internal controls, (2) grant drawdowns, (3) grant expenditures, including personnel and indirect costs, (4) budget management and control, (5) financial and progress reports, (6) Recovery Act reporting, (7) program performance and accomplishments, and (8) monitoring of contractors. We determined that matching costs and program income were not applicable to the grants we tested.

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. Unless otherwise stated in this report, our audit comprised a review of activity associated with grant numbers 2005-DD-BX-1233 and 2009-SC-B9-0129 for the period June 1, 2005 to June 30, 2011.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *Office of Justice Programs Financial Guide*, applicable Office of Management and Budget regulations, the Recovery Act and the awarding documents.

Although we did not audit the performance, adequacy or reliability of the financial management system for the City of Baltimore as a whole, we did review the written accounting policies and procedures employed by the grantee, an agency within the City of Baltimore, for this accounting system, and the two most recent Single Audits for the City of Baltimore. We reviewed the timeliness and accuracy of financial and progress reports, reviewed performance to grant objectives, and evaluated the grantee's monitoring of the contractors. For our review of program performance measures and accomplishments, we largely relied upon the results of a January 2009 study evaluating the interim results of the Safe Streets

program. The study was commissioned by the City of Baltimore and performed by specialists with the Center for the Prevention of Youth Violence from the Johns Hopkins Bloomberg School of Public Health in Baltimore, Maryland.

In conducting our audit, we performed sample testing in drawdowns, grant expenditures, and property management. To accomplish the objectives of the audit, we interviewed grantee officials and examined grant activity records. We also employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category. We identified samples of non-payroll expenditures, payroll expenditures and 10 items of accountable property. This non-statistical sample design does not allow projection of the test results to the universes from which the samples were selected.

We performed audit work at Baltimore City Health Department office space in Baltimore, Maryland. In addition, we relied on computer-generated data contained in the Baltimore financial accounting system and in OJP's Grants Management System (GMS) regarding payment amounts, drawdown requests, and dates of transactions. We noted that some of the 2005 grant transaction dates recorded in the Baltimore financial system were incorrect due to irregularities encountered while converting to a new accounting system and we adjusted our analysis and conclusions because of this. We did not establish the reliability of the data contained in OJP's GMS as a whole. However, when the data used is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations relying on this data and included in this report are valid.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS ¹⁰	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Costs		
<u>For Grant Number 2005-DD-BX-1233:</u>		
1. Unspent grant funds	\$24,746	9
2. Contractor Fringe Benefits	15,898	11
3. Travel	7,591	11
4. Office Supplies	922	11
5. Food and Beverages	324	11
<u>For Grant Number 2009-SC-B9-0129:</u>		
6. Part-time Employee Payroll	13,619	12
<u>Subtotal Unsupported Costs</u>	<u>\$63,100</u>	
Unallowable Costs		
<u>For Grant Number 2005-DD-BX-1233:</u>		
1. Rent	4,912	11
2. Office Supplies	875	11
3. Training	370	11
<u>Subtotal Unallowable Costs</u>	<u>\$6,157</u>	
<u>TOTAL QUESTIONED COSTS</u>	<u>\$69,257</u>	

¹⁰ **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.

OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE
DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

July 18, 2012

MEMORANDUM TO: Troy M. Meyer
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: /s/
Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Edward Byrne Memorial Discretionary Grants Awarded to the Baltimore City Health Department, Baltimore, Maryland*

This memorandum is in response to your correspondence, dated June 7, 2012, transmitting the subject draft audit report for the Baltimore City Health Department (BCHD). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **six** recommendations and **\$69,425** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP require the BCHD to strengthen its financial system controls so that future grant expenses are allocated to and tracked by the correct accounting code.**

We agree with the recommendation. We will coordinate with the BCHD to obtain a copy of procedures implemented to ensure that future grant expenses are allocated to, and tracked by, the correct accounting code.

- 2. We recommend that OJP require the BCHD to develop procedures that ensure future financial reports are accurate.**

We agree with the recommendation. We will coordinate with the BCHD to obtain a copy of procedures implemented to ensure that future financial reports are accurate.

- 3. We recommend that OJP remedy the \$24,746 in overdrawn and unsupported grant funds for award number 2005-DD-BX-1233.**

We agree with the recommendation. We will coordinate with the BCHD to remedy the \$24,746 in overdrawn and unsupported grant funds for award number 2005-DD-BX-1233.

- 4. We recommend that OJP remedy the \$24,735 in unsupported costs that the BCHD charged to grant number 2005-DD-BX-1233.**

We agree with the recommendation. We will coordinate with the BCHD to remedy the \$24,735 in unsupported costs that the BCHD charged to award number 2005-DD-BX-1233.

- 5. We recommend that OJP remedy the \$6,325 in unallowable costs that the BCHD charged to award number 2005-DD-BX-1233.**

We agree with the recommendation. We will coordinate with the BCHD to remedy the \$6,325 in unallowable costs that the BCHD charged to award number 2005-DD-BX-1233.

- 6. We recommend that OJP remedy the \$13,619 in unsupported payroll charges that the BCHD charged to award number 2009-SC-B9-0129.**

We agree with the recommendation. We will coordinate with the BCHD to remedy the \$13,619 in unsupported payroll charges that the BCHD charged to award number 2009-SC-B9-0129.

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

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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 20120889

BALTIMORE CITY HEALTH DEPARTMENT'S RESPONSE TO THE DRAFT REPORT

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



HEALTH DEPARTMENT

OXIRIS BARBOT, M.D., Commissioner
1001 E. Fayette Street
Baltimore, Maryland 21202

July 09, 2012

Troy M. Meyer
Regional Audit Manager
Office of the Inspector General
United States Department of Justice

Dear Mr. Meyer:

On behalf of the Baltimore City Health Department (BCHD), we would like to thank your agency for its recent audit of our Safe Streets Program whose mission is to develop projects for the benefit of teenagers and young adults at risk of committing violent crimes in targeted neighborhoods of the City of Baltimore.

In response to your agency's audit of our program grants (2005-DD-BX-1233 and 2009-SC-B9-0129) we respectfully provide the following information for your consideration.

1. Internal Control

Federal financial regulations require that an award recipient allocate and monitor costs properly.

The audit found that the city's conversion from the old to the new accounting system resulted in the loss of transaction dates for entries occurring before the conversion, the incorrect mapping of transactions between various subaccounts, and numerous adjusting and reversing entries. The report recommends that the department strengthen its financial system controls for the proper allocation and tracking of expenses.

We concur with the finding and recommendation. We have implemented more effective measures to allocate expenses and to monitor transactions and provided improved training to staff accountants. Supervisors will review their work more assiduously.

2. Reporting

According to the Financial Guide of the United States Department of Justice (USDJ) award recipients are required to submit complete, accurate, and timely periodic programmatic and fiscal status reports.

The reports finds that BCHD failed to do so on all occasions. The report recommends that BCHD develop procedures to ensure that future reports are accurate.

We concur with the finding and recommendation. We have adopted more effective measures to ensure compliance with the complete, accurate, and timely submission of all required reports.

3. Drawdowns

According to the USDJ Financial Guide award recipients should request funds based on their immediate cash needs. This means that recipients should time their drawdown requests to maintain the minimum cash on hand needed within ten days.

The audit finds that the auditors could not confirm whether BCHD drew down its funds in compliance with the ten day rule or whether it drew down its funds on a reimbursement basis. According to the report, BCHD was not able to substantiate \$24,746 in salary expense charged to the grant for which it drew the funds. The report recommends that BCHD repay the excess revenue.

We concur with the finding and recommendation. We have adopted measures to ensure that drawdowns are made in conformance with federal financial regulations. Please see section 10.

4. Grant Expenditures

The USDJ Financial Guide establishes factors affecting the allowability, reasonableness, and allocability of expenses that award recipients may charge to USDJ grants.

The schedule in exhibit 6 on page 12 of the audit report lists several items totaling \$24,735 in unsupported costs and \$6,325 in unallowable costs.

We accept the disallowance of most costs, except for the following items per the attached documentation and the explanation in section 10 (appendix II).

- a. office supply -unsupported cost -\$18
- b. office supply -unallowable cost -\$875
- c. employee training -unallowable cost -\$370
- d. telephone overhead -unallowable cost -\$168

5. Supplanting

The USDJ Financial Guide requires award recipients to use funds to supplement existing funds for program activities and not to replace or to supplant funds that have been appropriated for the same purposes. If an award recipient reduces funding for activities also supported by the grant, the recipient needs to demonstrate that the

expected or actual receipt of federal funds did not cause the reduction in recipient-level funding.

The report states that the grant for 2005 established a new program, Safe Streets Initiative, which involved the hiring of new employees and covered no preexisting duties. The report states that the program used federal funds to supplement local funding as required.

This situation is not a finding and is permissible according to the USDJ Financial Guide.

6. Management and Monitoring of Contractors

The USDJ Financial Guide provides that award recipients should ensure that monitoring of organizations under contract to them is performed in a manner in compliance with overall financial management requirements.

BCHD contracted with four organizations to administer the program in several city neighborhoods. The report finds that the program's monitoring efforts were adequate with respect to the three contractors and inadequate with regard to one contractor.

The department accepts the finding and has strengthened its monitoring efforts regarding all contractors of the program. Program and fiscal personnel will review all requests for reimbursements of costs by contractors and ensure that contractors provide all supporting documentation to justify payment.

7. Budget Management and Control

The USDJ Financial Guide states the award recipients should expend grant funds according to the budget and included in the final award approved by the awarding agency. They also may move funds up to ten percent of the total budget cost between approved budget categories. Cumulative amounts exceeding ten percent of the total award amount require approval by the awarding agency.

The audit determines that the department was in compliance with its management of the budget.

8. Program Performance Measures and Accomplishments

The auditors reviewed the program performance measures and accomplishments. BCHD received two audited awards for its Safe Streets Program to replicate a program modeled on the Cease Fire Program of the City of Chicago. The goals of Baltimore's program included the reduction in the incidence of violent crime in targeted communities, the mobilization of communities against violent crime, and the provision of services and conflict resolution to at risk youth.

An evaluation of the program by the Johns Hopkins University found that the Safe Streets Program was successful in the reduction of shootings and homicides in communities where it was implemented. A subsequent survey found that 80% of the participants reported that the program caused improved in their lives, 52% reported that the program helped to mediate conflicts, 88% reported that the program assisted them to find jobs, 33% reported that the program helped them with school placement, and 95% reported that the program provided educational assistance.

9. Recommendations

BCHD accepts USDJ's recommendations regarding the adherence to and implementation of appropriate internal fiscal controls with respect to the allocation and monitoring of expenses to the correct budget account numbers, the reconciliation of financial records and reports, and the timely submission of complete and accurate periodic programmatic and fiscal reports.

To these ends, BCHD has instituted measures to require that the program and fiscal staffs prepare reports based on supporting documentation and that supervisory managerial personnel monitor the due dates of such reports and review them in conformance with regulatory grant requirements.

10. Schedule of Dollar Related Findings (Appendix II)

BCHD accepts the dollar related audit findings in the amount of \$54,375 but respectfully disagrees in the amount of \$15,050. Please see the following detailed explanations, the schedule of contested amounts, and the appropriate supporting documents.

A. Unsupported Costs: Grant 2005-DD-BX-1233

- | | |
|------------------------|---|
| 1. unspent grant funds | \$24,746 requested. We agree. |
| 2. contractor expenses | \$15,898 requested. We agree. |
| 3. travel | \$7,591 requested. We agree. |
| 4. office supply | \$922 requested. We disagree with \$18. |
| 5. food and beverage | \$324 requested. We agree. |

B. Unsupported Costs: Grant 2009-SG-B9-0129

- | | |
|--------------|----------------------------------|
| 6. personnel | \$13,619 requested. We disagree. |
|--------------|----------------------------------|

C. Unallowable Costs: Grant 2005-DD-BX-1233

- | | |
|-----------------------|-------------------------------|
| 1. rent | \$4,912 requested. We agree. |
| 2. office supply | \$875 requested. We disagree. |
| 3. telephone overhead | \$168 requested. We disagree. |
| 4. training | \$370 requested. We disagree. |

A. 4. and C. 2. Regarding the invoices for office supply, we are requesting that these invoices be reconsidered as allowable expenses. When the Safe Streets Program was initially established, it shared work space with other departmental programs. However, due to a lack of employees in the Safe Streets Program during its start-up phase, personnel from other programs provided administrative assistance. Even though we have established policies and internal controls in place, these personnel were not familiar with the peculiarities of the program in which they were assisting. Consequently, they sometimes inadvertently commingled purchase orders belonging to the Safe Streets Program with those of other programs and listed the incorrect name of the program and budget account number on invoices for office supplies designated for the Safe Streets Program. In an attempt to prevent a recurrence of these kinds of errors, we have provided additional training to personnel. We believe that the contested invoices represent expenses that are ordinary, reasonable, and necessary for the operation of program. We contest \$18 in the 2005 grant and \$875 in the 2009 grant.

In the 2005 grant the auditors disallowed \$18 due to missing documentation to substantiate the cost of office supplies. We have attached the relevant invoice to prove the cost.

In the 2009 grant several invoices totaling \$834 had the incorrect name of the program on them but were legitimate expenses of the Safe Street Program. See the explanation above. In addition, the auditors disallowed \$41 for the cost of a heater which it found unbudgeted. We treated this item as an office supply rather than as a capital item due to its immaterial amount.

B. 6. Regarding the costs for the program assistant, we submit the following justification. During the period of time reviewed by the audit, the Office of Youth Violence Prevention (OYVP) had two Program Assistant II positions. One program assistant was responsible for the administration of the Safe Streets Program and the other for the management of the Safe Kids Program. For nearly a year from August 2010 to June 2011 the Safe Kids Program had a vacant position for which the program assistant for the Safe Streets Program was the only person trained to fulfill the duties of the vacant position. These duties included processing payroll, ordering supplies, and managing the purchasing processes.

Moreover, the Safe Streets Program personnel assisted with doing data research and analysis, writing grant applications and proposals, reporting, managing the program, performing monthly poster count audits at each Safe Streets site, planning and preparing meetings and events, and conducting daily web searches related to media regarding Safe Streets.

The Safe Streets Program will work with the Baltimore City Health Department Fiscal Office to develop and to implement a policy to document the time and effort of employees working on multiple projects. The program will include personnel activity reports and details of the employee time tracking process as a part of the policy.


We believe that the \$13,619 in personnel cost charged to the grant represent a legitimate and fair allocation of ordinary, reasonable, and necessary expenses.

C. 3. With regard to the telephone overhead charge, the phone lines operated by the Safe Streets Program are under the control of the Municipal Telephone Exchange (MTE), a municipal agency responsible for the management of all city phone lines. In addition to the regular monthly charges, MTE imposes a small administrative fee to support its staff which provides communication services to city agencies and programs. Please see MTE's attached policy. We believe that the fees charged to the program are ordinary, reasonable, and necessary for the operation of the city's communication office and program's telephone service.


C. 4. With respect to the cost for employee training, two of our program personnel responsible for the management of the program were required to attend a training workshop involving the conversation to a new municipal payroll system. These personnel are responsible for an array of functions necessary for the overall administration of the program, even if the functions happen to be incidentally administrative in nature. The Baltimore City Department of Human Resources which provided the training billed \$370 to BCHD for the cost per the attached documentation. We believe that the cost is an ordinary, reasonable, and necessary expense of program administration.

In conclusion, we would like to thank you for your continued support of our programs which are making a significant impact on the improvement of the quality of life for the residents of the City of Baltimore. We look forward to many years of a collaborative and productive relationship.

Sincerely,



Oxiris Barbot, MD
Commissioner of Health
Baltimore City Health Department



Jerome Chester, MBA, MS
Chief Financial Officer
Baltimore City Health Department

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

The OIG provided a draft of this audit report to OJP and the Baltimore City Health Department (Baltimore). The responses are incorporated respectively as Appendices III and IV of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

- 1. Resolved.** OJP concurred with our recommendation to require the grantee to strengthen its financial system controls so that future grant expenses are allocated to and tracked by the correct accounting code.

Baltimore concurred with our recommendation to strengthen its financial system controls so that future grant expenses are allocated to and tracked by the correct accounting code. Baltimore stated in its response that it has implemented more effective measures to allocate expenses and to monitor transactions. Additionally, Baltimore has provided improved training to its staff accountants.

This recommendation can be closed when we receive written evidence that Baltimore has implemented new procedures to allocate expenses and to monitor transactions by the correct accounting codes and evidence that the staff accountants have been trained accordingly.

- 2. Resolved.** OJP concurred with our recommendation that the grantee develop procedures to ensure that future financial reports are accurate.

Baltimore concurred with our recommendation to develop procedures to ensure that future reports are accurate. Baltimore stated in its response that it has adopted more effective measures to ensure compliance with the complete, accurate, and timely submission of all required reports.

This recommendation can be closed when we receive written evidence that Baltimore has implemented procedures to ensure that future submissions of its financial reports are accurate.

3. **Resolved.** OJP and Baltimore concurred with our recommendation to remedy the unsupported \$24,746 in overdrawn and unsupported 2005 grant funds. This recommendation can be closed when we have evidence that the unsupported costs have been remedied.
4. **Resolved.** OJP concurred with our recommendation to remedy the unsupported costs of \$24,735 charged to the 2005 grant.

Baltimore concurred with our recommendation regarding the \$24,735 of unsupported 2005 grant charges, but for one invoice included in this sum for \$18 of unsupported office supplies. With its response, Baltimore has included a copy of the invoice supporting this \$18 charge. However, there is nothing written on the invoice that would suggest that this \$18 charge relates to the Safe Streets program or the 2005 grant in particular. Therefore, we believe the \$18 charge to the 2005 grant for office supplies remains unsupported. This recommendation can be closed when we have evidence that OJP has remedied the \$24,735 of questioned costs charged to the 2005 grant.

5. **Resolved.** OJP concurred with our recommendation to remedy the identified unallowable costs charged to the 2005 grant.

Baltimore concurred with our recommendation regarding \$4,912 of the \$6,157 identified as unallowable 2005 grant charges. The \$1,245 difference pertains to two charges that Baltimore believes to be allowable: \$875 for office supplies and \$370 for employee training.

The \$875 of unallowed office supplies were comprised of a number of charges. However, the charges cited in the report as unallowable were supported by invoices to programs or projects that did not appear related to the Safe Streets program. In its response, the grantee stated that even though the invoices carry the names of programs other than Safe Streets, the charges are the legitimate expenses of the Safe Streets program. However, because the invoices carry the names of programs other than Safe Streets, it is not possible for us to determine, based on these documents, whether these charges are

legitimate expenses of the Safe Streets program.¹¹ Therefore, based on the information provided by the grantee, the \$875 of office supplies remains unallowable.

The \$370 of unallowable employee training costs is for two of Baltimore's program personnel to attend a training program relative to the conversion to a new municipal payroll system. According to the grantee's response, these two personnel are integrally responsible for the overall administration of the program, so Baltimore believes this cost is an ordinary and necessary expense of the Safe Streets program administration. However, the allocation of costs for administrative training required of all Baltimore City employees is not provided for in the grantee's budget; only program-related training is provided for in the budget. Since the training was administrative and not program specific, the \$370 charge remains unallowable.

We note Baltimore's response provided additional information we believed sufficient to support a \$168 telephone charge. We updated our report to remove this charge from our schedule of dollar-related findings.

This recommendation can be closed when we have evidence OJP has remedied the \$6,157 of unallowed costs charged to the 2005 grant.

6. Resolved. OJP concurred with our recommendation to remedy \$13,619 in unsupported payroll costs charged to the 2009 grant.

Baltimore does not concur with our recommendation. Baltimore states in its response that the \$13,619 allocated to the 2009 grant is a fair and reasonable allocation of this employee's payroll to the 2009 grant, explaining that this employee fulfilled functions for the Safe Streets program when Safe Streets did not have someone in its Program Assistant II position. However, Baltimore acknowledges this employee was working on multiple programs during this timeframe and that the employee did not prepare a timesheet showing the time she spent among programs. Simply allocating half of the employee's time to this grant is not sufficient evidence that half of her time was actually spent working on Safe Streets activities. Further, while Baltimore states in its response that it is willing to work with its Fiscal Office to develop a

¹¹ Included in the \$875 unallowable cost figure was a \$41 charge for a space heater. In its response, Baltimore stated that we considered this charge unallowable because it was not included in the grant budget. However, the heater cost was questioned because the invoice provided to support the charge was to "OPHPR" and not the Safe Streets program.

policy and template for reporting time for employees who work on multiple projects, we note such a procedure must, at a minimum, permit the employee to contemporaneously record the time actually spent working on different grants that can then be approved by a supervisor. Therefore, we conclude the \$13,619 of payroll charges to the 2009 grant remains unsupported.

This recommendation can be closed when OJP provides documentation that supports or otherwise remedies the \$13,619 in unsupported payroll costs charged to the 2009 grant.