



**AUDIT OF OFFICE OF COMMUNITY ORIENTED
POLICING SERVICES GRANTS AWARDED TO THE
CITY OF JACKSON, TENNESSEE, POLICE DEPARTMENT**

U.S. Department of Justice
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Audit Division

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AUDIT OF OFFICE OF COMMUNITY ORIENTED POLICING SERVICES GRANTS AWARDED TO THE CITY OF JACKSON, TENNESSEE, POLICE DEPARTMENT

EXECUTIVE SUMMARY

The Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of Office of Community Oriented Policing Services (COPS) grants awarded to the City of Jackson, Tennessee, Police Department. We audited a COPS Hiring Recovery Program (CHRP) grant to fund 10 entry-level sworn officers for 3 years and a COPS Methamphetamine Initiative (METH) grant intended to reduce the production, distribution, and use of methamphetamine. The Police Department was awarded a total of \$2,017,976 to implement the grant programs shown in Exhibit I.

EXHIBIT I: OFFICE OF COMMUNITY ORIENTED POLICING SERVICES GRANTS AWARDED TO THE JACKSON POLICE DEPARTMENT

GRANT NUMBER	COPS PROGRAM	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2009-RK-WX-0809	CHRP	7/1/2009	6/30/2012	\$1,568,000
2007-CK-WX-0324	METH	9/1/2007	8/31/2010	\$449,976
TOTAL:				\$2,017,976

Source: COPS

The objective of our audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed the accuracy of certain data in the Police Department's application for the CHRP grant and its performance in meeting grant objectives and overall accomplishments.

We found inaccuracies in the information the Police Department submitted to COPS in its CHRP grant application. To select CHRP grantees, COPS developed a methodology that scored and ranked each applicant based on key data submitted by the applicant. While it performed some limited data validity checks, COPS relied heavily on the accuracy of the data submitted by grant applicants. As a result, we reviewed the application statistics the Police Department submitted to COPS and found the application contained inaccuracies in: (1) the local area unemployment rates for fiscal years (FY) 2008 and 2009, and (2) the Police Department's percentage reduction in civilian law enforcement personnel. We also assessed the effect of the Police Department's inaccurate application data and determined that it

did not appear to have affected the suitability of the award. However, to ensure future awards are not affected by inaccurate data, we recommend that the Police Department enhance its procedures to ensure it submits accurate data for future award applications. We also found the Police Department:

- charged \$13,790 in unallowable fringe benefits to the CHRP grant;
- charged \$6,782 in unallowable officer bonuses and associated fringe benefits to the CHRP grant;
- included in its CHRP grant application, \$60,870 for police officer vacation that was already included as part of officer salaries;
- did not adequately track property items bought with grant funds;
- could not account for \$4,743 in property items bought with METH grant funds; and
- did not complete the METH grant project. According to COPS, the Police Department did not meet the deadline for requesting a second extension of time to expend the funds and the unspent \$307,885 portion of the grant funds was deobligated and not available to complete the project.

As a result of our findings, we make four dollar-related recommendations and three recommendations to improve the management of grants.

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

We discussed the results of our audit with COPS and Police Department officials and have included their comments in the report, as applicable.

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INTRODUCTION

The Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of Office of Community Oriented Policing Services (COPS) grants awarded to the City of Jackson, Tennessee, Police Department. We audited a COPS Hiring Recovery Program (CHRP) grant to hire and fund 10 entry-level sworn officers for 3 years and a COPS Methamphetamine Initiative (METH) grant to reduce the production, distribution, and use of methamphetamine. The Police Department was awarded a total of \$2,017,976 to implement the grant programs shown in Exhibit 1.

EXHIBIT 1: OFFICE OF COMMUNITY ORIENTED POLICING SERVICES GRANTS AWARDED TO THE JACKSON POLICE DEPARTMENT

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

The Office of Community Oriented Policing Services

Within DOJ, COPS assists law enforcement agencies in enhancing public safety through the implementation of community policing strategies in jurisdictions of all sizes across the country. COPS provides funding to state, local, and tribal law enforcement agencies and other private entities to hire and train community policing professionals, acquire and deploy cutting-edge crime-fighting technologies, and develop and test innovative policing strategies.

American Recovery and Reinvestment Act

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purposes of the Recovery Act were to: (1) preserve and create jobs and promote economic recovery; (2) assist those most impacted by the recession; (3) provide investments needed to increase economic efficiency by spurring

technological advances in science and health; (4) invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and (5) stabilize state and local government budgets in order to minimize reductions in essential services, and avoid state and local tax increases.

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

COPS Hiring Recovery Program

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

COPS Methamphetamine Initiative Program

The COPS Methamphetamine Initiative provided direct funding to establish and enhance a variety of problem-solving strategies that will encourage community policing efforts to combat the production, use, and distribution of methamphetamine. The award may be used to address problems or issues in a variety of areas, including child endangerment, enforcement, intelligence gathering, drug courts, partnership development, precursor chemicals, prevention, production, training, and treatment.

Jackson Police Department

Jackson, Tennessee, the county seat of Madison County, was founded in 1822. It is located approximately 85 miles northeast of Memphis and 120 miles southwest of Nashville. With a population of approximately 65,000, Jackson is the largest city in rural West Tennessee. It encompasses a land area of approximately 49 square miles and serves as West Tennessee's economic, cultural, and healthcare center.

For the city's fiscal year 2012, which runs from July 1, 2011, to June 30, 2012, the Police Department had 263 personnel, including 220 sworn officers. The mission of the Police Department is to improve the quality of life for all citizens of the community by reducing the problems associated with crime, through crime suppression and prevention, jointly educating its officers and the public, and developing a co-active partnership with the community.

Our Audit Approach

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 COPS Grant Owner's Manuals and the grant award documents. The Grant Owner's Manuals serve as a reference to assist grantee agencies with the administrative and financial matters associated with grants. The manuals were developed by COPS to ensure that all grantees understand and meet the requirements of the grants. We also considered applicable Office of Management and Budget and Code of Federal Regulations criteria in performing our audit. We tested the Jackson Police Department's:

- **CHRP grant application statistics** to determine the completeness and accuracy of grantee information submitted in the application;
- **internal control environment** to determine whether the financial and accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants;
- **grant expenditures** to determine the accuracy and allowability of costs charged to the grants;
- **drawdowns** (requests for grant funding) to determine whether requests were adequately supported and if the Police Department managed grant receipts in accordance with federal requirements;
- **budget management and control** to determine whether the Police Department adhered to the COPS-approved budgets for the expenditure of grant funds;
- **accountable property** to determine whether the Police Department had effective procedures for managing and safeguarding assets acquired with grant funding;

- **reporting** to determine whether the required periodic Federal Financial Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflect grant activity;
- **compliance with award special conditions** to determine whether the Police Department complied with all of the terms and conditions specified in the grant award documents; and
- **program performance and accomplishments** to determine if the Police Department met or is capable of meeting the grants' objectives.

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

The Police Department's CHRP grant application contained three instances of incorrect data, but the incorrect data did not appear to have affected the suitability of the award. The Police Department made salary, fringe benefit, and bonus payments that exceeded or were not included in budgeted amounts approved by COPS. The Police Department also overestimated the cost of fringe benefits in its CHRP grant application. For the METH grant, the Police Department did not adequately track property items bought with grant funds and some items bought were unaccounted for. The Police Department also encountered delays in implementing its METH grant project. After 3 years, two-thirds of the grant funds that had not been spent were deobligated and the Police Department was not able to complete the METH grant project. As a result of our audit, we make four dollar-related recommendations and three recommendations to improve the management of grants.

Application Statistics

To select CHRP grantees, COPS developed a methodology that scored and ranked applicants based on data related to their fiscal and economic conditions, rates of crime, and community policing activities. In general, the applicants experiencing more fiscal and economic distress, exhibiting higher crime rates, and demonstrating well-established community policing plans received higher scores and were more likely to receive a grant. While COPS performed some limited data validity checks, COPS relied heavily on the accuracy of the data submitted by grant applicants. In the CHRP Application Guide, COPS reminded applicant agencies to provide accurate agency information as this information may be used, along with other data collected, to determine funding eligibility. In our May 2010 report of the COPS grant selection process, we found that the validation process COPS used to ensure the accuracy of the crime data submitted by applicants was inadequate.¹ As a result, some agencies may have received grant funds based on inaccurate applications. However, we were unable to determine the number of applications that included inaccurate data.

During this audit, we obtained documentation from the Police Department to support the information it submitted to COPS to secure the CHRP grant, and we found inaccuracies in the information submitted in the

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

CHRP application. Specifically, we found inaccuracies in the application data regarding unemployment rates for FYs 2008 and 2009, and the reduction in civilian law enforcement personnel. Exhibit 2 identifies the difference in the statistics reported in the application and the actual supported statistic.

EXHIBIT 2: STATISTICS REPORTED IN THE CHRP GRANT APPLICATION BY THE JACKSON POLICE DEPARTMENT²

STATISTIC	REPORTED	ACTUAL	DIFFERENCE
Unemployment Rate, January 2008	8.2 percent	6.3 percent	1.9
Unemployment Rate, January 2009	3.8 percent	9.4 percent	(5.6)
Reduction in Civilian Law Enforcement Personnel	2.0 percent	7.2 percent	(5.2)

Source: Jackson Police Department 2009 CHRP Grant Application

The Police Department official we spoke to could not explain the differences in the reported statistics. For the unemployment rates, we used data from U.S. Department of Labor, Bureau for Labor Statistics. The Police Department official said he may have used a different source to report data.

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

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

Internal Control Environment

We reviewed the City of Jackson’s financial management system, policies and procedures, and Single Audit Reports to assess the risk of

² The actual statistics for unemployment rates are based on U.S. Department of Labor, Bureau for Labor Statistics data. The actual statistic for the reduction in civilian law enforcement personnel was based on data provided by the City of Jackson.

non-compliance with laws, regulations, guidelines, and terms and conditions of the grants. The city serves as the fiscal agent for the grants we audited. We also interviewed management and key personnel with knowledge of the grant programs to further assess risk.

Single Audit

According to Office of Management and Budget Circular A-133, an entity expending more than \$500,000 in federal funds in a year is required to perform a Single Audit annually, with the report due no later than 9 months after the end of the fiscal year. The city's fiscal year runs from July 1 through June 30 with the Single Audit report due by March 31 of the following year. The city's federal expenditures were \$5,104,547 in FY 2010 and \$7,701,204, in FY 2011, which required the city to undergo a Single Audit. We reviewed the city's Single Audit reports for FYs 2010 and 2011. Both reports were issued by the due dates and were signed by the independent auditor.

The FY 2010 Single Audit identified one finding involving Department of Transportation, Federal Highway Administration (FHA) grant funds. The city did not formally adopt a risk assessment as it relates to the Recovery Act funds within the FHA grant. As part of this finding, the associated revenues and expenses for the Recovery Act portion of the grant were not segregated within the general ledger as required by the grant. The city prepared a risk assessment as part of its corrective action.

The FY 2011 Single Audit identified one finding involving grant funds. The city expended a material amount of funds related to a disaster that the Federal Emergency Management Agency (FEMA) considered to be unallowable due to the lack of documentation. The report stated that as part of its corrective action plan, the city was revising reimbursement requests submitted to FEMA to obtain reimbursement for expenditures originally considered unallowable. The auditors also identified two issues that could affect federal awards – timesheets were not signed by a supervisor and expenditures exceeded appropriated amounts in several of the city's designated account funds.

The city addressed the findings in both Single Audit reports. The reports identified no findings related to DOJ grant funds.

Financial Management System

We reviewed the city's financial management system and interviewed Police Department and other city officials regarding the financial

management system. The city is responsible for the fiscal portion of grant management. Grant fund drawdowns were based on expenses posted to the general ledger each quarter. These reimbursements were electronically deposited into a City of Jackson general account, applied to the general ledger assigned to the grants, and tracked in the accounting system. The city's policies and procedures appeared to ensure timely and accurate records and payment. We did not identify weaknesses in the city's financial management system.

Grant Expenditures

Personnel and Fringe Benefit Expenditures

Both grants included personnel expenditures. The budget for the CHRP grant included \$1,568,000 for salary and fringe benefits for 10 new full-time entry-level law enforcement officers for 3 years. The budget for the METH grant included \$90,751 for salary and fringe benefits for a Methamphetamine Initiative Coordinator for 2 years and \$51,865 for overtime for police officers.

CHRP Grant

According to the COPS CHRP Grant Owners' Manual, grants cover 100 percent of the approved entry-level salary and fringe benefits of each newly-hired or rehired full-time sworn career law enforcement officer over 3 years. Grant funding is for the entry-level salary and fringe benefits in effect at the time of the application. Any costs above the approved entry-level salaries and fringe benefits are the responsibility of the agency.

At the time of our audit, Jackson had drawn down \$1,024,319 of the grant funds for salaries and fringe benefits. We judgmentally selected two non-consecutive pay periods and tested whether costs charged to the grant were computed correctly, accurately recorded, and supported by time and attendance records. We also compared officer pay rates and positions to those in the grant budgets approved by COPS.

We found that costs charged to the grant were computed correctly, accurately recorded in the accounting records, and supported by time and attendance records. However, we found that the Police Department exceeded the maximum allowable amount for salaries and fringe benefits for some officers. Consequently, we expanded our testing of salaries and fringe benefits to all \$1,024,319 that had been charged to the CHRP grant at the time of our audit.

We found that, overall, the city charged \$7,425 less salaries to the grant than the budgeted amount approved by COPS. However, two officers' salaries exceeded the allowable budgeted amount. Exhibit 3 shows the budgeted entry level salary, actual salary, and overpayments for the two officers.

EXHIBIT 3: BUDGETED SALARIES VERSUS ACTUAL SALARIES FOR GRANT NUMBER 2009-RK-WX-0809

EMPLOYEE	BUDGETED SALARY	ACTUAL SALARY	OVERPAYMENT
Entry-Level Year 1			
Employee 2470	\$32,700	\$33,011	\$311
Employee 2474	\$32,700	\$39,811	\$7,111
Entry-Level Year 2			
Employee 2474	\$35,750	\$41,495	\$5,745
Entry-Level Year 3 ³			
Employee 2474	\$5,877	\$6,500	\$623
Total Overpayment:			\$13,790

Source: City of Jackson Employee Earning Records

A grantee official told us that both officers were hired under the city's "lateral-entry" program and their pay was based on the lateral-entry scale instead of entry-level salary and fringe benefits for sworn law enforcement officers.⁴ We questioned the \$13,790 overpayment of salaries as unallowable because they exceeded the budgeted amount. The budgeted amount, which is the entry-level salary, is the ceiling for payments under the grant. There were no minimums for salaries or fringe benefits. Any amounts for an officer above the ceiling amounts are unallowable. We discussed the overpayment of salaries with city officials. On July 19, 2012, the city corrected the \$13,790 overpayment of salaries by removing these costs from its accounting records and reducing its July 31, 2012, grant fund drawdown by \$13,790.

We also tested fringe benefits charged to the grants and found that, overall, the city charged \$15,114 less fringe benefits to the grants than the budgeted amounts approved by COPS. However, seven officers' fringe benefit payments exceeded the budgeted amounts by \$21,610. Exhibit 4

³ We tested expenditures through December 31, 2011, and year 3 had included only four pay periods for this employee. The amounts reflect budgeted and paid amounts for those four pay periods. Budgeted salaries are prorated for a partial year of employment.

⁴ Under the lateral-entry program, the Police Department hires experienced officers. The program allows the city to hire officers who are already trained. The program allows the city to save funding for training costs.

shows the difference in the budgeted fringe benefits, actual fringe benefits, and overpayments to the seven officers.

EXHIBIT 4: BUDGETED FRINGE BENEFITS VERSUS ACTUAL FRINGE BENEFITS PAID FOR GRANT NUMBER 2009-RK-WX-0809⁵

EMPLOYEE	BUDGETED FRINGE BENEFITS	FRINGE BENEFITS PAID	OVERPAYMENT
Entry-Level Year 1			
Employee 2470	\$15,429	\$18,453	\$3,024
Employee 2471	\$15,429	\$16,357	\$928
Employee 2472	\$15,429	\$17,993	\$2,564
Employee 2473	\$15,429	\$18,120	\$2,691
Employee 2474	\$15,429	\$20,415	\$4,986
Employee 2477	\$12,462	\$13,977	\$1,515
Employee 2479	\$15,429	\$16,966	\$1,537
Entry-Level Year 2			
Employee 2470	\$241	\$471	\$229
Employee 2471	\$16,736	\$17,132	\$396
Employee 2473	\$12,230	\$12,874	\$643
Employee 2474	\$16,736	\$19,677	\$2,941
Entry-Level Year 3			
Employee 2472	\$2,767	\$2,865	\$98
Employee 2474	\$2,767	\$2,824	\$57
Total Overpayments:			\$21,610

Source: City of Jackson Employee Earnings Records

We questioned the \$21,610 in excess fringe benefit payments as unallowable because those costs exceeded the maximum amounts approved by COPS. On July 19, 2012, the city removed \$7,820 of these fringe benefits costs from its accounting records and reduced its July 31, 2012, grant fund drawdown by \$7,820, which leaves \$13,790 in remaining unallowable fringe benefits.

A Police Department official told us that the budgeted amounts for fringe benefits that were in the Final Funding Memorandum from COPS were based on projected numbers and estimates. The city exceeded the approved amounts because on July 1, 2010, the State of Tennessee raised the employer contribution rate for retirement to 20.76 percent. The retirement contribution rate changes every 2 years. A City of Jackson official told us

⁵ Budgeted fringe benefits for some officers are prorated because the officers worked less than a full year. Some overpayments do not equal the difference between the budgeted and actual amounts because of rounding.

the health insurance rates also increased after the city prepared the grant application.

We asked COPS about the Police Department's overpayment of salaries and fringe benefits and a COPS official told us that these overpayments could be allowable if: (1) the Police Department did not exceed the grant award amount, and (2) it requested and received approval for a budget modification. At the time of our audit, the Police Department had not exceeded the grant award and had not requested nor received from COPS a budget modification for the overpayments.

When actual salary and fringe benefits exceed the budgeted amounts, the Police Department's ability to compensate its officers hired under the CHRP grant throughout the entire grant period could be at risk. We recommend that COPS remedy the remaining \$13,790 in fringe benefits overpayments and ensure the Police Department revises its procedures to ensure future salary and fringe benefits costs are charged to the grant in accordance with the approved grant budget.

During our review of the Final Financial Memorandum approved by COPS, we found that fringe benefits included vacation; however, vacation was already included as part of salary in the grant budget. City officials agreed that vacation was included as part of salary costs, but told us they did not recall submitting vacation as a fringe benefit in the grant application. We discussed this issue with COPS and COPS agreed that vacation could be included in the grant budget as part of salary or fringe benefits, but not both. The Police Department's CHRP application included \$1,887 for vacation for entry-level officers for year 1, \$2,031 for year 2, and \$2,170 for year 3. For the 3-year grant period, the Police Department overestimated its fringe benefit costs for vacation by a total of \$6,087 per officer and \$60,870 for the 10 grant-funded officers.⁶ We consider the \$60,870 to be funds that could be put to better use and recommend that COPS deobligate those funds.

We also found that 10 officers currently employed under the CHRP grant each received \$500 payments on December 8, 2011, and these payments were charged to CHRP funds. A City of Jackson accountant told us these were bonuses paid to officers, not cost-of-living adjustment raises. All city employees received these payments at the request of the Mayor. These payments are unallowable because they are not included in Jackson's Final Funding Memorandum approved by COPS. We question the \$6,782 in

⁶ The three amounts attributed to vacation equal \$6,088 when rounded individually, but equal \$6,087 when non-rounded amounts are summed.

bonuses (\$5,000) and associated fringe benefits (\$1,782) as unallowable grant expenditures.

METH Grant

We reviewed the general ledger account for the METH grant and identified \$143,651 (120 transactions) charged to the grant. We judgmentally selected 26 transactions totaling \$74,940 (52 percent of the amount charged) for testing. We found that all 26 transactions were properly authorized, recorded, and supported.

Drawdowns

COPS requires grantees to minimize the amount of cash-on-hand by requesting funds based on immediate cash disbursement needs. Grantees may draw down funds in advance, but the funds must be used within 10 days.

As of July 12, 2012, the city had drawn down \$1,098,425 from the CHRP grant and \$142,091 from the METH grant. City officials told us that the city's quarterly drawdown amounts were based on expenditures in the accounting records. We found that the city's drawdowns matched its grant expenditures recorded in the accounting records for the CHRP and the METH grant.

For the METH grant, Jackson was awarded funds totaling \$449,976. The grant period started September 1, 2007, and COPS extended the award through August 31, 2010. As of November 29, 2010, 90 days after the grant end date, the city had expended only \$142,091 of the funds. As a result, the remaining funds totaling \$307,885 were de-obligated.

Police Department officials told us they did not spend the majority of the grant funds because COPS had not approved their request for a budget modification. In its original grant proposal, the city requested funding for a position to travel to pharmacies in the area to gather data on pseudoephedrine purchases.⁷ However, because a Tennessee State Methamphetamine Task Force had the electronic capabilities to obtain the data, the Police Department no longer needed to fill the position. A Deputy Chief of Police told us that on August 12, 2010, he requested an extension for the grant, which was due to expire on August 31, 2010, and COPS verbally approved the extension in September 2010. The Deputy Chief told

⁷ Pseudoephedrine is medication used to relieve nasal congestion caused by colds, allergies, and hay fever and is a common ingredient used to make methamphetamine.

us he documented COPS' approval in a subsequent grant progress report and continued working with COPS to modify the grant budget, but in January 2011, COPS deobligated the remaining \$307,885 in grant funds.

We asked a COPS official why the remaining funds were deobligated and we were told that COPS follows the OJP Financial Guide, which requires that a request for a grant extension must be submitted 30 days prior to the end date of the award; however, the city did not meet the 30 day criteria.⁸ The award ended August 31, 2010, but the city did not request an extension until August 12, 2010.

Budget Management and Control

Criteria established in 28 Code of Federal Regulations (CFR) Section 66.30 addresses budget controls for grantee financial management systems. According to the CFR, grantees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, whenever the awarding agency's shares exceeds \$100,000, the movement of funds between approved budget categories in excess of 10 percent of the total award must be approved in advance by the awarding agency. The 10-percent rule was applicable to both COPS grants awarded to the Police Department. While the CHRP grant was still in progress at the time of our audit, the city appeared to remain within the approved budget allowance for each category for this grant. We determined the city did not transfer funds among direct cost categories in excess of 10 percent of the award amount for the METH grant.

In addition to remaining within the approved budget allowance, the city must ensure it does not supplant local funds with grant funds. According to the 2009 CHRP Grant Owner's Manual, CHRP funds should supplement, not supplant, funds already committed from local sources. The non-supplanting requirement means that officers hired after the start date of the grant must be in addition to those currently budgeted (funded) from local sources. In addition, grantees must take active and timely steps to fully fund law enforcement costs already budgeted as well as fill all locally-funded vacancies resulting from attrition over the life of the grant.

⁸ The OJP Financial Guide serves as the primary reference manual to assist DOJ award recipients in fulfilling their fiduciary responsibility to safeguard grant funds and ensure funds are used for the purposes for which they were awarded. The COPS Office and designated representatives from OJP monitor the financial aspects of grants, including special request submissions. COPS followed the OJP Financial Guide requirement regarding the request for a grant extension.

As allowed by CHRP, Jackson originally submitted a grant application for funds to retain 10 officers who were scheduled to be laid off. In January 2009 the Mayor issued a hiring freeze and the city reduced the Police Department's budget by 10 sworn officer positions. Consequently, the city changed its grant application to use the funds for newly hired officers. Because the city provided documentation pertaining to its budget shortfalls and hiring freeze we found no evidence of supplanting. All 10 officers paid with grant funds were newly hired, did not fill vacancies budgeted with local funds, and did not begin working before the start date of the CHRP grant. We also found no evidence that METH grant funds were used to supplant funds from local sources.

Accountable Property

According to 28 CFR Section 66.32, grantees must maintain property records that include: a description of the property; a property identification number; cost; the location, use, and condition of the property; and any ultimate disposition data including the date of disposal and sale price of the property. To ensure adequate safeguards to prevent loss, grantees must at least once every 2 years take a physical inventory of the property and reconcile the results to the property records. Property items valued at less than \$5,000 may be sold or otherwise disposed of with no obligation to the awarding agency. For disposed property items valued at more than \$5,000, the awarding agency's share of the proceeds is based on the awarding agency's percentage of the purchase price.

The Police Department did not purchase accountable property items using CHRP grant funds, but it used METH grant funds to purchase 40 equipment items valued at \$22,872. We obtained the property records for these items from the city's property records system and judgmentally selected 23 items valued at \$20,177 to determine if the Police Department had custody of the items and the items were being used for grant purposes.

The Police Department could not locate seven of our sample items valued at a total of \$4,743. The seven items consisted of two desktop computers, a laptop computer, camera lens and bag, printer, DVD player, and camcorder. The property records did not indicate that these seven items had been disposed of. The property records identified the city department to which the property has been assigned, but the records did not specify where each item was located. Each city department was responsible for tracking the specific location of each property item. The Police Department could not locate the seven items we identified as missing because it did not track the specific location of its property items. A Police Department official told us that some of the missing items may have been

returned to the city and disposed of. We asked a city official about the seven missing items, but we were told the city had no records of disposal of these items. We question the \$4,743 value of the missing items as unsupported grant costs. We also recommend the Police Department implement procedures to improve its system of property records by tracking where the items are located and whether they have been disposed of.

One property item we sampled was assigned two separate identification numbers in the property records system, and it appears the city provided two property tags for the same item. Because this appears to be an isolated incident, we make no recommendation about one property item having two identification tags. We physically verified the remaining 15 items and verified that the items were being used for grant purposes.

Reporting

COPS monitors the status of grant funds and progress towards grant goals through grantees' quarterly financial and grant progress reports. Recipients of COPS CHRP grants must also submit to FederalReporting.gov quarterly reports on the amount of Recovery Act funds expended and numbers of jobs created or saved.

Federal Financial Reports

The financial aspects of CHRP grants are monitored through Federal Financial Reports (FFR).⁹ According to the Grant Owner's Manuals, FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period. Even for periods when there have been no program outlays, a report to that effect must be submitted. Funds or future awards may be withheld if reports are not submitted or are excessively late.

We reviewed the last four FFRs submitted to COPS for the CHRP grant and for the METH grant. We found that all eight FFRs were submitted on time. By comparing the amounts reported in the FFRs to the accounting records, we also reviewed the accuracy of the FFRs. We found that for all eight reports we tested the reported expenditures on the FFRs matched the city's accounting records.

⁹ Effective October 1, 2009, the SF-425 Federal Financial Report (FFR) replaced the SF-269 Financial Status Reports (FSRs). For consistency, we use the term "FFR" throughout this report when discussing any quarterly financial reports.

Progress Reports

Progress reports provide information relevant to the performance of an award-funded program and the accomplishment of objectives as set forth in the approved award application. For CHRP grants, the COPS Grant Owners' Manual requires grantees to submit progress reports within 30 days after the end of the calendar quarter. For the METH grant, we verified with a COPS official that progress reports were due 30 days after each quarter ended.

We determined that Deputy Chiefs of Police collected information to prepare progress reports. They completed the progress reports electronically using the COPS online submission form.

We reviewed the last eight quarterly progress reports submitted to COPS for the CHRP grant and the last two annual progress reports submitted to COPS for the METH grant. We found that, in general, progress reports were timely submitted. For the CHRP grant, the report for the quarter ended September 30, 2011, was submitted 1 day late. For the METH grant, the report for the period ended December 31, 2009, was submitted 2 days late. We consider these late reports immaterial and make no recommendation.

We also tested the accuracy of the quarterly progress reports. For the CHRP grant, the Police Department stated that it had 10 new officers on staff throughout the grant period. The accuracy of these reports is supported by the accounting records.

For the METH grant, the progress reports explained difficulty in meeting goals because of procurement problems and a change in grant administration. The Police Department attributed its difficulty to meet goals to difficulty in receiving COPS approval for a budget modification. The Police Department did not evaluate the success of the program because it only spent about one third of the award amount.

Recovery Act Reports

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

A Deputy Chief of Police was responsible for compiling and submitting Recovery Act reports electronically through FederalReporting.gov. We tested

the 8 most recent reports submitted to FederalReporting.gov and found that 7 of the 8 reports were submitted on time. The report for the quarter ended June 30, 2010, was due July 10, 2010, but was submitted 2 days late on July 12, 2010. This was the second report submitted. All subsequent Recovery Act reports were submitted on time. We consider the one late report immaterial and make no recommendation. We also evaluated the accuracy of the four most recently submitted Recovery Act reports by verifying the reported numbers to source documentation maintained by the Police Department. We found that the reports were accurate.

Compliance with Award Special Conditions

Award special conditions are included in the terms and conditions for a grant award and are provided in the accompanying award documentation. Special conditions may also include special provisions unique to the award. The CHRP grant contained a special condition requiring that funding should only be used for payment of approved full-time entry-level sworn officer salaries and fringe benefits. As discussed in the Grant Expenditures section of this report, we found that the city over-charged the grant for salary and fringe benefits.

Program Performance and Accomplishments

In the CHRP Application Guide, COPS identified the methods for measuring a grantee's performance in meeting CHRP grant objectives. According to COPS, there were two objectives to the CHRP grant: (1) to increase the capacity of law enforcement agencies to implement community policing strategies that strengthen partnerships for safer communities and enhance law enforcement's capacity to prevent, solve, and control crime through funding additional officers and (2) to create and preserve law enforcement officer jobs. Quarterly progress reports describing how CHRP funding was being used to assist the grantee in implementing its community policing strategies and detailing hiring and rehiring efforts were to be the data source for measuring performance. However, COPS did not require grantees to track statistics to respond to the performance measure questions in the progress reports. In addition, the grantee's community policing capacity implementation rating, identified in the progress report, would not be used in determining grant compliance.

Even though COPS did not require a grantee to track statistics to support its performance, it does require a grantee to be able to describe that it is initiating or enhancing community policing in accordance with its community policing plan. The COPS Office defines community policing as a

philosophy that promotes organizational strategies, which support the systematic use of partnerships and problem-solving techniques, to proactively address the immediate conditions that give rise to public safety issues such as crime, social disorder, and fear of crime. According to the 2009 CHRP Grant Owner's Manual, grants must be used to initiate or enhance community policing activities. All newly hired, additional or rehired officers (or an equal number of redeployed veteran officers) funded under CHRP must engage in community policing activities.

The city noted in its application that the goal and objective of the CHRP grant was to rehire 10 Project Safe Neighborhood police officers who were scheduled for lay-off on July 1, 2009. The grantee hired 10 officers on November 2, 2009. The grantee received permission from the COPS Office on December 18, 2009, to change the officer category from 10 re-hired to 10 newly hired officers.

The 10 new officers were assigned to the uniform patrol division. According to the Annual Progress Report for the year ended December 31, 2011, officers use a problem-solving model consisting of scanning, analysis, response, and assessment. Officers used this model when patrolling districts and solving problems. Officers used computer crime statistics to identify emerging crime trends and adjust enforcement actions accordingly. We interviewed three of the officers hired under the CHRP grant. The officers told us that they were generally performing the duties outlined in the initiatives of the community policing plan.

Grantees must retain all CHRP officer positions for a minimum of 12 months at the conclusion of the grant. The Police Department planned to retain the additional sworn officer under this grant for a minimum of 12 months using general funds as the funding source. A Deputy Chief said it was reasonable to retain the 10 positions for 12 months with general funds because the city had recently annexed additional property and would be receiving additional tax revenues. The city projected annual revenues to increase \$950,000 annually with the annexation of the new area. The Police Department provided a letter from the Mayor explaining that the city plans to fund the officer positions with general funds through June 30, 2014, which is 24 months after the award ends on June 30, 2012. The city's fiscal year runs from July 1 through June 30.

The goals and objectives for the METH grant were to increase the effectiveness of enforcement activities; safety and effectiveness of manufacturing investigations; and community awareness, involvement, and prevention of crime. The city stated in its application that it would use the grant funds to:

- purchase up-to-date equipment needed by officers working clandestine methamphetamine labs to identify chemicals that pose a threat to the public;
- replace expiring medical supplies on the Drug Endangered Children's Response Vehicle and other equipment needed to conduct clandestine lab and methamphetamine trafficking investigations;
- provide updated awareness training to law enforcement officers and the community;
- purchase or publish educational and reference materials for the community, law enforcement, and first responders; and
- hire a Project Coordinator to coordinate training events, disperse educational materials, and maintain administrative records and data relating to the grant.

As of October 26, 2010, the city had drawn down \$142,091 of METH funds, which was only 32 percent of the grant award. The grant expired on August 31, 2010. We asked a grantee official what progress the Police Department had made implementing the goals and objectives considering the limited drawdowns. The official told us the Police Department used the grant funds to train officers in methamphetamine laboratory work and investigations, provide overtime to more aggressively investigate methamphetamine laboratory operations, and conduct covert enforcement operations targeting illegal purchases of pseudoephedrine. The covert operations yielded 135 arrests related to methamphetamine and other felony drug related arrests. We concluded that the Police Department partially met the goals and objectives of the METH grant.

Conclusion

We found that the Jackson Police Department's CHRP grant application contained three instances of incorrect data, but the incorrect data would not have changed COPS' award decision or award amount. The Police Department overestimated the cost of fringe benefits in its CHRP grant application and made salary, fringe benefit, and bonus payments that either exceeded the entry-level rate or were not included in budgeted amounts approved by COPS. For the METH grant, some equipment items bought with grant funds were not accounted for and the Police Department only partially met the goals and objectives of the grant. As a result of our audit, we make four dollar-related recommendations and three recommendations to improve the city's management of grants.

Recommendations

We recommend that COPS:

1. Require the Police Department to establish procedures that ensure future grant applications contain accurate information.
2. Remedy \$13,790 in excess fringe benefits paid with CHRP grant funds.
3. Require the Police Department to implement procedures that ensure salary and fringe benefit costs are accurately charged to the 2009 CHRP grant.
4. Deobligate \$60,870 in CHRP grant funds for officer vacation that were already included as part of officer salaries.
5. Remedy \$6,782 in bonuses and associated fringe benefit costs charged to the CHRP grant.
6. Remedy \$4,743 in METH grant funds spent on property items that are unaccounted for.
7. Require the Police Department to implement procedures to improve its system of records for property items bought with grant funds including where the item is located and whether the item has been disposed of.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We reviewed performance in the following areas: (1) internal control environment; (2) grant expenditures; (3) drawdowns; (4) budget management and control; (5) accountable property; (6) reporting, including financial, progress, and Recovery Act reports; (7) compliance with special award conditions; and (8) program performance and accomplishments. Matching costs, program income, and monitoring of subgrantees and contractors were not applicable to the grants we audited. For the CHRP grant, we also reviewed the accuracy of the grant application statistics and the city's plan to retain the officers at the conclusion of the grant period.

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.

Our audit scope covered COPS Hiring Recovery Program Grant Number 2009-RK-WX-0809 and COPS Methamphetamine Initiative Grant Number 2007-CK-WX-0324 awarded to the Jackson Police Department.

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 laws, regulations, Office of Management and Budget Circulars, COPS Grant Owners' Manuals, the OJP Financial Guide, and special conditions of the awards described in the grant award documents.

In conducting our audit, we performed sample testing in the areas of grant expenditures and accountable property. We employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category. This non-statistical sample design 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 financial and grant progress reports, evaluated performance to grant objectives, and determined the completeness and accuracy of grantee information submitted in the CHRP application; however, we did not test the reliability of the financial management system as a whole.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

DESCRIPTION	AMOUNT	PAGE
Unallowable Costs:		
2009-RK-WX-0809:		
Unallowable Fringe Benefit Costs	\$13,790	10
Unallowable Employee Bonuses	\$6,782	11
Total Unallowable Costs	\$20,572	
Unsupported Costs:		
2007-CK-WX-0324:		
Unsupported Accountable Property	\$4,743	14
Total Unsupported Costs	\$4,743	
Total Questioned Costs¹⁰	\$25,315	
Funds To Better Use:		
2009-RK-WX-0809:		
Vacation Already Included as Part of Salary	\$60,870	11
Total Funds to Better Use¹¹	\$60,870	
Total Dollar-Related Findings	\$86,185	

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. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

¹¹ Funds to better use are funds that could be used more efficiently if management took actions to implement and complete an audit recommendation, including deobligation of funds from programs or operations.

APPENDIX III

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



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

COPS

MEMORANDUM

Via Email and U.S. Mail

To: Ferris B. Polk
Regional Audit Manager
Office of the Inspector General
Atlanta Regional Audit Office

From: Karl W. Bickel *KWB*
Senior Policy Analyst

Date: September 24, 2012

Subject: Response to Draft Audit Report and request for closure of Audit
Recommendation 7 for the Draft Audit Report dated August 30, 2012, Jackson
Police Department, Jackson, Tennessee, ORI # TN05701.

This letter serves as COPS' response to the Draft Audit Report dated August 30, 2012, Jackson Police Department, Jackson, Tennessee, ORI # TN05701, regarding COPS CHRP Hiring Grant # 2009-RK-WX-0809 and COPS Meth Grant #2007-CK-WX-0324 as well as a request for the closure of Recommendation 7 of the report.

Recommendation 1- Require the Police Department to establish procedures that ensure future grant applications contain accurate information.

Status: *N/A (draft recommendation)*

Discussion: The COPS Office agrees that grantees should have well documented policies and procedures that ensure future grant applications contain accurate information. After reviewing your Draft Report, COPS contacted the grantee and it was agreed that the grantee would prepare and submit for OIG review policies and procedures covering accuracy of information contained in future grant applications.

Action Taken: COPS is working with the grantee to develop policies and procedures related to the accuracy of information contained in future grant applications.

Request: Based on the discussion and planned actions, COPS requests resolution of Recommendation 1.

Recommendation 2- Remedy \$13,790 in excess fringe benefits paid with CHRP grant funds.

Status: N/A (*draft recommendation*)

Discussion: COPS agrees that grantees should only charge allowable costs to their grants. After reviewing your Draft Report, COPS contacted the grantee and it was agreed there was an overpayment of \$13,790 in grant funds.

Action Taken: The grantee reduced their drawdown of funds with their July 31, 2012 request for reimbursements by \$13,790. COPS is working with the grantee to secure documentation in support of their action.

Request: Based on the discussion and planned actions, COPS requests resolution of Recommendation 2.

Recommendation 3- Require the Police Department to implement procedures that ensure salary and fringe benefit costs are accurately charged to the 2009 CHRP grant.

Status: N/A (*draft recommendation*)

Discussion: The COPS Office agrees grantees should have procedures that ensure salary and fringe benefit costs are accurately charged to the 2009 CHRP grant. After reviewing your Draft Report, COPS contacted the grantee and it was agreed that the grantee would prepare and submit for OIG review policies and procedures ensuring salary and fringe benefit costs are accurately charged to the 2009 CHRP grant.

Action Taken: COPS is working with the grantee to develop written procedures that ensure salary and fringe benefit costs are accurately charged to the 2009 CHRP grant.

Request: Based on the discussion and planned actions, COPS requests resolution of Recommendation 3.

Recommendation 4- Deobligate \$60,870 in CHRP grant funds for officer vacation that were already included as part of officer salaries.

Status: N/A (*draft recommendation*)

Discussion: The COPS Office agrees grantees should not include officer vacation time in both salaries and fringe benefits. After reviewing your Draft Report, COPS contacted the grantee and The City of Jackson Police Department refutes the recommendation to deobligate payment of \$60,870 in CHRP grant funds for officer vacation. Vacation time is paid time and is included as part of the annual salary. In other words, compensation for vacation time is not over and above the annual salary. When an officer uses a vacation/annual day he is paid the same as if he actually worked the 8 hours for his regular shift. We do not think the City should be held accountable for repayment of this \$60,870 as this was part of the annual salary compensation and

Ferris B. Polk, Regional Audit Manager, OIG
September 24, 2012
Page 3

not in addition to. An employee is not paid for more than 2080 hours annually and these hours were included as part of the annual pay. A copy of the city employee handbook is attached to show policy on annual/vacation time as well as example of time card for officer under this grant using annual/vacation time.

Action Taken: COPS is working with the grantee to secure additional documentation to support the grantee's position.

Request: Based on the discussion and planned actions, COPS requests resolution of Recommendation 4.

Recommendation 5- Remedy \$6,782 in bonuses and associated fringe benefit costs charged to the CHRP grant.

Status: N/A (*draft recommendation*)

Discussion: The COPS Office agrees grantees should not include bonuses in grant fringe benefit costs. After reviewing your Draft Report, COPS contacted the grantee and it was agreed that the grantee would repay the grant \$6,782.

Action Taken: The grantee has agreed to reimburse the grant in the amount of \$6,782 and COPS is working with the grantee to have the funds returned to the grant.

Request: Based on the discussion and planned actions, COPS requests resolution of Recommendation 5.

Recommendation 6- Remedy \$4,743 in METH grant funds spent on property items that are unaccounted for.

Status: N/A (*draft recommendation*)

Discussion: The COPS Office agrees grantees should account for all property items paid for with COPS grant funds. After reviewing your Draft Report, COPS contacted the grantee and it was agreed that the grantee would work with COPS to close this recommendation.

Action Taken: The grantee is working with COPS to close this recommendation and has already developed the attached written procedures to that effect.

Request: Based on the discussion and planned actions, COPS requests resolution of recommendation 6.

Recommendation 7- Require the Police Department to implement procedures to improve its system of records for property items bought with grant funds including where the item is located and whether the item has been disposed of.

Ferris B. Polk, Regional Audit Manager, OIG
September 24, 2012
Page 4

Status: N/A (*draft recommendation*)

Discussion: The COPS Office agrees that grantees should have procedures that ensure the accounting for property items bought with COPS grant funds. After reviewing your Draft Report, COPS contacted the grantee and it was agreed that the grantee would prepare and submit for OIG review policies and procedures ensuring their accounting for property items bought with COPS grant funds.

Action Taken: The grantee has developed the attached written procedures ensuring their accounting for property items bought with COPS grant funds.

Request: Based on documentation submitted by the grantee, COPS requests that this recommendation be closed.

Based on the above discussion and planned actions, COPS considers the subject report resolved and requests written acceptance of this determination from your office. In addition, based on the documentation submitted by the grantee, COPS considers Recommendation 7 of the Draft Audit Report closed as well. We request written acceptance of this determination from your office. Once written acceptance of this determination is received from your office, COPS will notify the grantee of the closure.

Thank you very much for the opportunity to review and respond to this Draft Audit Rreport. If you have any questions regarding this memorandum, please do not hesitate to contact me at (202) 514-5914 or via email at Karl.Bickel@usdoj.gov.

Attachments:

Disposition of Assets Forms (2)
Fixed Asset Location Form

cc: Audit Liaison Office (ALO@usdoj.gov)

Nancy Daniels
Administrative Assistant
Audit Liaison Division

Audit File

Grant files: 2009-RK-WX-0809
2009-CK-WX-0324

ORI #: TN05701

APPENDIX IV

THE CITY OF JACKSON'S RESPONSE TO THE DRAFT REPORT

JERRY GIST, MAYOR



ACCOUNTING DEPARTMENT

SEPTEMBER 19, 2012

GRANTEE RESPONSE TO US DEPARTMENT OF JUSTICE AND THE COPS OFFICE:

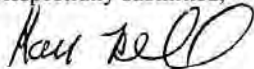
1. The City of Jackson Police Department did not intentionally provide inaccurate information. Statistics regarding unemployment rates that were submitted with the original grant document were received from our City Planning Department and were considered estimated unemployment rates for this area. However, the City of Jackson Police Department commits to being more diligent in the future to ensure accuracy of information provided.
2. The overpayment of \$13,790 in excess fringe benefits paid with CHRP grant funds was remedied by reducing our drawdown of funds with our July 31, 2012 request for reimbursements. The fringe benefits were in excess due to the salaries of the lateral entry officers' hired being more than the entry level salaries as stated in the grant. This has been noted and has been corrected.
3. The City of Jackson Police Department will ensure that all future charges for salaries and benefits will be accurately charged to the 2009 CHRP grant. Processes have been implemented to review this and ensure compliance.
4. The City of Jackson Police Department refutes the recommendation to deobligate payment of \$60,870 in CHRP grant funds for officer vacation. Vacation time is paid time and is included as part of the annual salary. In other words, compensation for vacation time is not over and above the annual salary. When an officer uses a vacation/annual day he is paid the same as if he actually worked the 8 hours for his regular shift. We do not think the City should be held accountable for repayment of this \$60,870 as this was part of the annual salary compensation and not in addition to. An employee is not paid for more than 2080 hours annually and these hours were included as part of the annual pay. A copy of the city employee handbook is attached to show policy on annual/vacation time as well as example of time card for officer under this grant using annual/vacation time.
5. The City of Jackson Police Department does acknowledge that bonuses and associated fringe benefits were paid incorrectly from the CHRP grant and is willing to reduce grant proceeds by \$6,782. All city employees received this bonus in December of 2011 per the Mayor's direction and when checks were cut these officers were paid from the normal

107 E. Main Street, Suite 104 Jackson, TN 38301 731-425-8243 Fax 731-425-9218

account that their salaries were paid from without realizing that this was above and beyond what was allocated by the grant.

6. The City of Jackson Police Department does acknowledge that property items purchased under the METH grant for \$4,743 could not be located. It is our belief that these were printers and computers that had been disposed of due to end of life cycle or maintenance issues beyond repair but could not locate proper disposal documentation. An improved process for tracking property items such as these fixed assets has been implemented for purchase, usage, and disposal of all assets purchased with grant funds. Copy of disposal form is attached.
7. The City of Jackson Police Department has implemented improved procedures for the tracking of property items such as fixed assets being tracked as to where it is being utilized as well as better records for disposal of all assets at end of life cycle. At the time of purchase, asset tag is assigned with description entered into the City's fixed asset system. Asset tag along with copy of invoice paid is sent to the Police Department at which time they photocopy this for their files as well as noting who the asset has been assigned to issuing the tag and a copy of the invoice to that unit utilizing the property item. Disposal form is attached.
8. While not a recommendation it was noted in the draft of the report that the City of Jackson Police Department did not complete the METH grant project. The report stated that we did not meet the deadline for requesting a second extension of time to expend the unspent \$307,885 portion of the grant funds and therefore these were deobligated. We followed the COPS procedures for requesting extensions which stated that the extension request must be received by the grant end date which in our case was. Following the COPS requirements for grant extension by submitting in August prior to the end date of the grant, we do not feel that these funds should be deobligated. We request that this be reviewed and funds reallocated to the City of Jackson Police Department.

Respectfully submitted,



Karen Bell
Finance Director
City of Jackson, TN

APPENDIX V

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

The OIG provided a draft audit report to COPS and the City of Jackson. The COPS response is incorporated in Appendix III and the City of Jackson's response is incorporated in Appendix IV. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Analysis of the City of Jackson Response

In response to our audit report, the city concurred with all recommendations except Recommendation 4, as discussed below, and discussed the actions it will implement in response to our findings. However, the city also responded to information in our report that did not pertain to our recommendations. We provide the following reply to these statements before discussing specific responses to each of our recommendations and the actions necessary to resolve or close those recommendations.

In its response, the City of Jackson noted our discussion of its METH grant project not being completed. The city observed that our report states it did not meet the deadline for requesting a second extension of time to expend the grant funds and, consequently, the grant funds were deobligated. The city further states that it believes it met the requirements for requesting a grant extension and it requests that the deobligation decision be reviewed and the deobligated funds be reallocated to the Police Department.

As noted on page 13 of the report, a COPS official told us the METH funds were deobligated because the city did not request a grant extension 30 days prior to the end date of the award as required. This appears consistent with a Deputy Chief of Police telling us that on August 12, 2010, he requested an extension for the grant, which was due to expire on August 31, 2010. We report this information to demonstrate COPS' basis for deobligating the grant funds, and we did not assess the reasonableness of COPS' decision regarding the deobligation. The city's request that the deobligation decision be reviewed and funds be reallocated is a matter beyond the scope of this audit. That decision should be the subject of separate discussion between the city and COPS.

Summary of Actions Necessary to Resolve and Close the Report:

- 1. Resolved.** COPS concurred with our recommendation that the Police Department establish procedures that ensure future grant applications contain accurate information. COPS stated that it is working with the grantee to develop policies and procedures related to the accuracy of information contained in the future grant applications.

The City of Jackson also concurred with our recommendation and stated that the Police Department commits to being more diligent in the future to ensure the accuracy of information provided.

This recommendation can be closed when we receive and review procedures the Police Department implemented to ensure future grant applications contain accurate information.

- 2. Resolved.** COPS concurred with our recommendation that it remedy \$13,790 in excess fringe benefits paid with CHRP grant funds. COPS stated that the grantee reduced its July 31, 2012, drawdown request by \$13,790 to remedy the funds and is working with the grantee to secure documentation to support the action.

The City of Jackson also concurred with our recommendation and stated that the Police Department reduced its July 31, 2012, drawdown by \$13,790.

This recommendation can be closed when we receive and review documentation showing the July 31, 2012, drawdown was \$13,790 less than the CHRP expenditures for the drawdown period.

- 3. Resolved.** COPS concurred with our recommendation that the Police Department should implement procedures that ensure salary and benefit costs are accurately charged to the 2009 CHRP grant. COPS stated that it is working with the grantee to develop written procedures that ensure salary and fringe benefit costs are accurately charged to the grant.

The City of Jackson also concurred with the recommendation and stated that processes have been implemented to review accuracy and ensure compliance.

This recommendation can be closed when we receive and review procedures the Police Department implemented to ensure salary and benefit costs are accurately charged to the grant.

4. Unresolved. COPS concurred that grantees should not include officer vacation time in both salary and fringe benefits, but did not concur with our recommendation that COPS deobligate \$60,870 in CHRP grant funds for officer vacation that was already included as part of officer salaries. COPS restated as its response the City of Jackson’s position noted in the next paragraph. COPS stated that it is working with the grantee to secure additional documentation to support the grantee’s position.

The City of Jackson stated that it “refutes the recommendation to deobligate the payment of \$60,870.” The city stated that compensation for vacation time is not over and above the annual salary. It further stated that officers using a vacation day are paid the same as if they worked 8 hours for a regular shift. The city believes it should not be held accountable for repayment of \$60,870.

However, our recommendation does not require the repayment of any costs. As noted on pages 11 and 12, the grant award provided funding for salary and fringe benefits so that vacation costs were included in both salary and fringe benefits. To explain further, the COPS CHRP Final Funding Memorandum issued to the city on August 5, 2009, noted that the city would be reimbursed for the following approved cost categories.

Year 1 Salary:		\$32,700
Year 1 Fringe Benefits:		
Social Security	\$2,027	
Medicare	\$474	
Health Insurance	\$4,030	
Life Insurance	\$858	
Vacation	\$1,886	
Retirement Pension	\$6,154	
Subtotal Fringe Benefits		\$15,429
Total Year 1 Salary and Fringe Benefits		\$48,129

As shown in this table, the approved fringe benefits included separate costs for vacation even though those costs were covered in the approved salary amount. However, we do not say that the city double claimed these costs for reimbursement and we recognize that the city did not do so. The problem is that the grant award for 10 officers

included a total of \$60,870 in vacation costs that the city may not claim for reimbursement because those costs are covered in the salary costs that the city does claim. Consequently, the total grant award amount needs to be reduced by \$60,870, and that is accomplished by COPS deobligating that amount from the total grant award. Because the city could not claim those costs, this action results in no loss of funding for the city.

We understand that vacation is included as salary. However, we identified that the approved budget included vacation time as a separate line item in fringe benefits as well. As a result, the grantee received an award that was based on documentation that included vacation compensation in both salary and benefit calculations. The Jackson Police Department was awarded \$60,870 in vacation as a fringe benefit cost that was already included in salary. Our recommendation remains unchanged.

This recommendation is unresolved because COPS does not agree that \$60,870 in excess awarded vacation costs should be deobligated. The recommendation can be resolved when COPS agrees that \$60,870 in grant funding should be deobligated and closed when we receive and review documentation that the deobligation has been accomplished.

- 5. Resolved.** COPS concurred with our recommendation that it remedy \$6,782 in bonuses and associated fringe benefits. COPS explained that the grantee has agreed to reimburse the CHRP grant in the amount of \$6,782.

The City of Jackson also concurred with our recommendation and stated it is willing to reduce CHRP grant proceeds by \$6,782.

This recommendation can be closed when we receive and review documentation that the \$6,782 in CHRP funds has been remedied.

- 6. Resolved.** COPS concurred with our recommendation that it remedy \$4,743 in METH grant funds spent on property that is unaccounted for. COPS stated that it is working with the grantee to close this recommendation.

The City of Jackson also concurred with this recommendation. It stated that it believes the items were printers and computers that had been disposed of, but it could not locate proper disposal documentation.

This recommendation can be closed when we receive and review documentation that the \$4,743 in METH grant funds has been remedied.

- 7. Closed.** COPS concurred with our recommendation that the Police Department improve its system for tracking property items purchased with grant funds including where the item is located and whether the item has been disposed of. COPS stated that the grantee agreed to prepare and submit procedures ensuring their accounting for property items bought with COPS grant funds.

The City of Jackson also concurred with the recommendation and submitted two forms – one form to be used to track property location, and another form to be used for items disposed of. Completed forms must be submitted to the city's accounting department.

The recommendation is closed based on documentation we received and reviewed that demonstrated property items will be identified by its location and whether it has been disposed of.