



**AUDIT OF THE OFFICE OF COMMUNITY ORIENTED  
POLICING SERVICES AND OFFICE OF JUSTICE  
PROGRAMS GRANTS AWARDED TO  
THE CITY OF LAWRENCE, MASSACHUSETTS**

U.S. Department of Justice  
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**EXECUTIVE SUMMARY**

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant number 2009-RJ-WX-096, and the Office of Justice Programs (OJP) Bureau of Justice Assistance Recovery Act Edward Byrne Memorial Justice Assistance (JAG) grant number 2009-SB-B9-0647, awarded to the city of Lawrence, Massachusetts (Lawrence). Collectively, the grants totaled \$1,809,577. The general purpose of the grants was to preserve jobs, promote economic recovery, and increase crime prevention efforts. In addition, COPS awarded CHRP funding to increase community policing capacity and crime-prevention efforts, and OJP awarded JAG funding to improve the effectiveness and efficiency of state and local criminal justice systems.

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 Lawrence's program performance in meeting the grants' objectives and overall accomplishments.

We reviewed Lawrence's compliance with key award conditions and found Lawrence generally met the terms and conditions of the awards governing most of the grant management areas we tested. However, we identified one finding related to an incorrect medical fringe benefit expenditure charge for one CHRP funded officer. Our finding did not result in questioned costs.

These items are discussed in 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 Lawrence officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft report from the City of Lawrence, OJP, and COPS, and their responses are appended to this report as Appendices II, III and IV, respectively. Our analysis and summary of actions necessary to close the recommendation can be found in Appendix V of this report.

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## INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of two grants awarded as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act) to the city of Lawrence, Massachusetts (Lawrence). These grants were an Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant and an Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG), in the amounts of \$1,496,985 and \$312,592 respectively. The purpose of Lawrence's Recovery Act awards was to prevent the layoff of 11 police officers in an effort to preserve jobs and to increase Lawrence's community policing capacity and crime-prevention efforts, promote the city's community policing mission, and to reduce violence through critical enforcement, intervention and prevention efforts.

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 awards. We also assessed Lawrence's program performance in meeting grant objectives and overall accomplishments. The following table shows the total funding for the grants.

### COPS Hiring and OJP Recovery Act Grants Lawrence, Massachusetts

GRANT NUMBER	START DATE	END DATE	AMOUNT
2009-RJ-WX-0396	07/01/2009	06/30/2012	\$1,496,985
2009-SB-B9-0647	03/01/2009	02/28/2013	312,592
<b>TOTAL:</b>			<b>\$1,809,577</b>

Source: COPS and OJP

### The Office of Community Oriented Policing Services

The Office of Community Oriented Policing Services (COPS), within the Department of Justice, assists law enforcement agencies in enhancing public safety through the implementation of community policing strategies in jurisdictions of all sizes across the country. The COPS office provides funding to state, local, and tribal law enforcement agencies and other public and private entities to hire and train community policing professionals, acquire and deploy cutting-edge crime-fighting technologies, and develop and test innovative policing strategies.

## **Office of Justice Programs**

The mission of the Office of Justice Programs (OJP) is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

### *Bureau of Justice Assistance*

The mission of the Bureau of Justice Assistance (BJA), a component of OJP, is to provide leadership and services in grant administration and criminal justice policy development to support local, state, and tribal justice strategies to achieve safer communities. BJA has three primary components: Policy, Programs, and Planning. The Policy Office was established to provide national leadership in criminal justice policy, training, and technical assistance to further the administration of justice. It also acts as a liaison to national organizations that partner with BJA to set policy and help disseminate information on best and promising practices. The Programs Office works to coordinate and administer all state and local grant programs and acts as BJA's direct line of communication to states, territories, and tribal governments by providing assistance and coordinating resources. The Planning Office works to coordinate the planning, communications, and budget formulation and execution, and provide overall BJA-wide coordination.

## **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 and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act provided approximately \$4 billion to the Department of Justice in grant funding to be used to enhance state, local, and tribal law enforcement efforts. Of these funds, \$1 billion was provided to the COPS

Office for grants to state, local, and tribal governments to hire or retain police officers. Another \$2 billion was provided to OJP for Byrne JAG grants.

#### *Community Oriented Policing Services Hiring Recovery Program Grant*

To distribute the Recovery Act money, COPS established the COPS Hiring Recovery Program (CHRP), a grant program for the hiring, rehiring, and retention of career law enforcement officers. COPS created CHRP to provide 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 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.

#### *Office of Justice Programs Byrne Memorial Justice Assistance Grant*

The Byrne Justice Assistance (JAG) grant program is the primary provider of federal criminal justice funding to state and local jurisdictions. Recovery Act JAG funds supported all components of the criminal justice system, from multi-jurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. These JAG grants funded projects to address crime by providing services to individuals and communities, and the projects were designed to improve the effectiveness and efficiency of state and local criminal justice systems. OJP awarded these Recovery Act JAG grants based on a state's share of the national population as well as the state's share of violent crime statistics. Local governments received direct funding that was based on the local government's share of total violent crime within their state.

#### **City of Lawrence, Massachusetts**

Lawrence, Massachusetts, built in the 1840's as the nation's first planned industrial city, is known as a city of immigrants. Lawrence is located in Essex County, and at the time of its application reported a population of 70,609. According to the Lawrence's website, immigrants moved to the city to work in the textile industry that was designed to harness the hydroelectric power produced by the Merrimack River. Today, the city retains its immigrant culture but the manufacturing industry

accounts for only 35 percent of the city's economy. Moreover, the loss of manufacturing has over the years contributed to rising unemployment that stood at 16 percent at the time Lawrence applied for its CHRP grant. Lawrence's ongoing fiscal crisis resulted in drastic cuts across all municipal government including the Lawrence Police Department (LPD). The LPD had 147 officers on board at the time Lawrence applied for its CHRP grant. As a result of Lawrence's well publicized financial difficulties, the Commonwealth of Massachusetts (Commonwealth) established a fiscal stability fund to help the city meet its financial obligations for fiscal years 2009 and 2010. The stability fund also included a Fiscal Overseer with comprehensive authority over all of the city's financial matters. In 2012, after completing citywide layoffs and instituting structural changes to financial management policies, Lawrence's Mayor reported the city was able to balance the city's budget.

## **Our Audit Approach**

We tested compliance with what we consider to be the most important conditions of the award. Unless otherwise stated in our report, the criteria we audit against were contained in Code of Federal Regulations: 28 CFR § 66, the 2009 CHRP Grant Owner's Manual, the Uniform Administrative Requirements for Grants, the OJP Financial Guide, and the terms and conditions of each grant award. We tested Lawrence's:

- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard award funds and ensure compliance with the terms and conditions of the awards.
- **CHRP application statistics** to assess the accuracy of key statistical data that the grantee submitted with its CHRP application.
- **Salary and fringe benefit expenditures** to determine whether the salaries and fringe benefits charged to the awards were allowable, supported, and accurate.
- **Budget management and control** to determine whether Lawrence adhered to the COPS and OJP-approved budgets for the expenditure of grant funds.
- **Reporting** to determine if the required periodic Federal Financial Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflected award activity.

- **Drawdowns (request for grant funding)** to determine whether requests for reimbursements were adequately supported and if Lawrence managed grant receipts in accordance with federal requirements.
- **Compliance with other award conditions** to determine whether Lawrence complied with the terms and conditions in the grants.
- **Program performance and accomplishments** to determine whether the Lawrence achieved grant objectives and to assess performance and grant accomplishments.

When applicable, we also test for compliance in the areas of matching funds, accountable property, monitoring subcontractors, and program income. For these grants, matching funds were not required and there was no accountable property, subcontractors, or program income.

## **FINDINGS AND RECOMMENDATION**

We determined that Lawrence generally complied with the terms and conditions of the Recovery Act CHRP and JAG grants. However, we found Lawrence officials incorrectly charged the medical fringe benefit expenditure of one CHRP funded officer to the grant. Because officials conservatively estimated the medical fringe benefit expenditure, we did not question costs. This condition and its underlying causes are discussed in the body of the report.

### **Internal Control Environment**

Our audit included a review of Lawrence's accounting and financial management system and Single Audit Reports to assess the risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grant awards. We also interviewed management staff from Lawrence and performed salary and fringe benefit expenditure testing to further assess risk.

According to the OJP Financial Guide, grant recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost and property controls to ensure optimal use of funds.

The Grant Manager told us she believed an adequate system of internal controls was in place. Additionally, Lawrence's most recent Single Audit Report did not identify any internal control shortcomings. However, our review of the medical fringe benefit expenditures charged to the CHRP grant showed that improvements can be made in Lawrence's system of internal controls in this area. This internal control deficiency is discussed in detail in the body of the report.

### *Financial Management System*

The Code of Federal Regulations requires recipients to maintain records to adequately identify the source and application of grant funds provided for financially supported activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

We found that Lawrence maintained these records in two separate accounts, one for the CHRP grant and another for the JAG grant. We determined that the two accounts tracked obligations, outlays, and expenditures allocated to each grant. We also determined that the accounting system in use by Lawrence was adequate to record the receipt and expenditure of federal funds.

### Single Audits

We reviewed Lawrence's Single Audit Reports for FY 2010 and 2011 and found one audit finding that could have impacted the CHRP and the JAG grants. The audits identified deficiencies in the city's budgetary process for administering grants because the city did not identify separate accounts within its budget for each grant received. However, for the grants we audited, we determined that the responsible grant manager assigned by the Lawrence Police Department had established separate accounting codes within the city's budget for both grants. In addition, the grant manager established budget categories within the accounting codes to accurately track each of the grant approved budget categories.

### **CHRP 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.<sup>1</sup> 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 Lawrence to support the information it submitted to COPS to secure the 2009 CHRP

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<sup>1</sup> 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).

grant. From our limited review, we found that Lawrence accurately captured and reported the key statistical data included in its CHRP application.

## **Salary and Fringe Benefit Expenditures**

We found that Lawrence correctly ensured that it only charged the entry-level salary approved in the CHRP budget for each grant-funded officer. However, we found Lawrence incorrectly calculated the medical fringe benefits charged to the grant for one CHRP-funded officer. For the JAG grant, Lawrence accurately calculated the salaries and fringe benefit expenditures for each grant-funded officer.

We tested a judgmental sample of Lawrence's salary and fringe benefit expenditures to determine if they were allowable, supportable, and accurate. To determine if expenditures were allowable, we compared the expenditures to approved expenditures incorporated in the terms and conditions of the grants. To determine if expenditures were supported and accurate, we tested salary and benefit expenditures by evaluating the allocation of salaries and benefits based on the requirements identified by COPS and OJP in the respective award documents. We examined officer payroll records for 9 of the 11 grant funded officers for two non-consecutive pay periods, and we tested accounting records supporting salary and fringe benefit expenditures for three calendar quarters of the COPS grant and salary expenditures for two calendar quarters of the JAG grant.

### *COPS Hiring Recovery Program Grant*

According to the CHRP grant application and award documentation, the CHRP grants were intended to provide 100 percent funding for the approved entry-level salaries and fringe benefits of full-time sworn career law enforcement officers. In cases where the officer's salary and fringe benefits exceeded that of entry-level officers, the additional costs are the responsibility of the grantee.

We found Lawrence officials segregated grant-funded expenditures into separate accounts. Within the separate accounts, Lawrence officials verified the salary and fringe benefits paid to each officer on a weekly basis. Because an officer's total salary, not the required entry-level salary, was initially reported in the accounting system, Lawrence officials calculated an entry-level salary and fringe benefit target amount that they could not exceed for each quarter. For example, officials removed an officer's overtime payments from the grant account. To ensure only entry-level salaries were charged to the grant, at the end of each quarter officials reconciled the accounting codes by deducting all salary expenditures above

the entry-level amount from the total salary and fringe benefits reported in the accounting system. The results of this reconciliation reduced the total salaries initially reported in the accounting system to the grant-approved entry level salary.

Lawrence received approval for five fringe benefits in its award document: (1) medical insurance, (2) dental insurance, (3) pension, (4) Medicare and, (5) holiday pay. Pension, Medicare, and holiday pay expenditures were approved at a fixed rate as a percent of salary. For example, each Lawrence city employee contributes nine percent of salary to fund the city's pension program. Medical and dental insurance rates were variable expenditures because they were based upon the type of medical or dental plan selected.

We determined Lawrence's methodology was accurate by comparing the first-year salary expenditures officials reported to the salary expenditures we calculated using Lawrence's methodology for the three quarters tested. We verified the accuracy of the fixed rate fringe benefits by comparing the rates reported by Lawrence to the fixed benefit rates we calculated. We used the officer's personnel folder to verify the variable fringe benefit expenditure, and we calculated the fringe benefit expenditure based on the medical or dental plan selected by each officer.

In addition to verifying accounting records, we reviewed payroll records and personnel files to ensure: (1) weekly payrolls were accurately recorded in the accounting system, (2) supervisors reviewed and approved the officer's timesheets, and (3) grant-funded officers were eligible for fringe benefits.

Based on our review of payroll records, personnel files, and our verification of Lawrence's accounting methodology, we concluded that Lawrence officials generally met the terms and conditions of the grant for managing CHRP salary and fringe benefit expenditures. However, we found the medical fringe benefit expenditure for one grant-funded officer tested was inaccurate. The inaccuracy occurred because Lawrence officials provided the police department grant manager with an incorrect medical benefit rate for the officer. The grant manager acknowledged the inaccuracy and corrected the officer's medical benefit rate. No exceptions were noted for any of the other officers we tested.

We did not calculate questioned costs in this instance because officials conservatively estimated medical fringe benefit costs during the application process. Because of continually rising health insurance costs, the city's total medical benefit costs exceeded the costs estimated at the time of the

application. However, we concluded internal controls should be strengthened to ensure medical benefit rates are accurately reported for all grant funded officers. Without an adequately functioning system of checks and balances in the charging of fringe benefit expenditures, grant funds are at risk for possible errors or irregularities.

#### *Office of Justice Programs Byrne Memorial Justice Assistance Grant*

The JAG grant initially provided Lawrence with a formula based grant to provide salary and fringe benefits funding for four officer's salary for one year. Lawrence then followed a similar methodology to the one described above for the COPS CHRP grant to establish quarterly salary and fringe benefit target amounts for each quarter. However, for the JAG grant, Lawrence was allowed to charge the actual salaries paid to each individual and they based their targets on the salary and fringe benefit amounts included in the approved grant application budget. Fixed fringe benefit expenditures were charged to the grant at the approved rates and variable benefits such as medical and dental insurance were calculated using the actual benefit expenditures. We found evidence that unallowable costs such as overtime were segregated from the officer's total salary and removed from the total expenditures requested for reimbursement. We also verified weekly payrolls were accurately recorded in the accounting system and that supervisors approved the time sheets tested.

Based on our review of payroll records, personnel files, and our verification of Lawrence's accounting methodology, we concluded that Lawrence officials met the terms and conditions of the JAG grant for managing salary and fringe benefit expenditures.

#### **Budget Management and Control**

Criteria established in 28 C.F.R 66 § 30 addresses budget controls surrounding grantee financial management systems. According to the C.F.R., grantees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, 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. In addition, the C.F.R requires that all grantees establish and maintain program accounts which will enable separate identification and accounting for funds applied to each budget category included in the approved award. Budget management controls insure federal funds are not exposed to unauthorized expenses, misuse, and waste.

COPS approved an itemized budget for the CHRP grant that included budget categories for salary and fringe benefits. In their application for JAG funding, Lawrence officials also included a budget with expenditures for sworn officer salaries and fringe benefits. While the CHRP grant was still in progress at the time of our audit, Lawrence appeared to remain within the approved budget allowance for each category for this grant. Lawrence also remained within the approved budget allowance for the completed JAG grant.

#### *COPS Hiring Recovery Program Grant*

The CHRP approved budget was based on the first year officer base salary, and Lawrence's fringe benefit rates based on the fixed benefit rates as well as estimates for the variable medical and dental insurance benefits. As noted earlier in the report, Lawrence's methodology to account for grant expenditures included salary and fringe benefit target amounts established for each calendar quarter. Lawrence followed the same methodology to maintain expenditures within the required budget categories. We found that by establishing target amounts for each quarter, Lawrence officials were able to compare actual grant expenditures to the approved budgetary guidelines.

We compared the total grant expenditures from Lawrence's accounting records to the expenditures COPS approved in the Financial Clearance Memorandum for the quarter ending March 2012. We found the city's expenditures generally fell within the approved budget categories. However, at the time of our audit's fieldwork, health insurance costs exceeded the city's original budget by \$16,704. The grant manager told us she was aware of the problem and it occurred because they underestimated the rate of health insurance cost increases over the life of the grant and they plan to make up the shortfall with city funding.

Because city officials established and maintained program accounts to enable separate identification and accounting for funds applied to each budget category, and because expenditures remained within the ten percent total award allowable deviation, we concluded the city met the terms and conditions of the award in the area of budget management and control.

#### *Office of Justice Programs Byrne Memorial Justice Assistance Grant*

In order to track grant expenditures and meet the terms and conditions of the JAG grant, Lawrence included a projected budget in their application based on the anticipated officer salaries and estimates of both fixed and variable fringe benefits. We reviewed accounting records and found officials used the same methodology described in the previous section

of the report to determine grant-funded salary and fringe benefit expenditures. We found rising health insurance costs again caused the city to exceed the budgeted amount by \$14,247. At the end of the grant, Lawrence officials transferred \$8,751 between budget categories and added \$5,496 in city funding to address the shortfall. Because the budget transfers did not exceed the allowable deviation of 10 percent of the total award, we concluded that Lawrence met the terms and conditions of the JAG grant in the area of budget management and control.

## **Reporting**

### *Federal Financial Reports*

The financial aspects of the grants are monitored through Federal Financial Reports (FFRs). FFRs are designed to describe the status of grant funds and should be submitted within 30 days of the end of the most recent quarterly reporting period. For periods when there have been no program outlays, a report to that effect must be submitted. Funds for the current award or future awards may be withheld if reports are not submitted or are excessively late.

The grant manager told us she completed FFRs using the discreet accounting codes established for each grant. We sampled eight CHRP grant FFRs between April 2010 and March 2012. We concluded the eight reports tested were accurate because the total expenditures reported in the FFR agreed with the totals reported in Lawrence's accounting records for the CHRP award. We also tested each FFR for timeliness using the criteria noted above and we found officials submitted each FFR timely. Because each of the FFR's we tested was accurate and submitted in a timely manner, we concluded Lawrence officials met the financial reporting standards for the CHRP grant.

For the JAG grant we tested five FFRs between April 2009 and September 2010. We found officials submitted each FFR timely. Each of the five reports tested were accurate because the total federal expenditures reported in the FFR agreed with the totals reported in Lawrence's accounting records. Because each of the FFR's we tested was accurate and submitted in a timely manner, we concluded Lawrence officials met the financial reporting standards for the JAG grant.

### *Progress Reports*

COPS established a quarterly filing requirement for CHRP progress reports. The reporting requirements included a survey that required

recipients to report the number of jobs created or saved by grant funding and a self-assessment of the recipient's progress toward meeting its community policing goals. COPS did not require the recipients to maintain documentation to support their self-assessment of community policing goals. We sampled the last eight progress reports and found Lawrence submitted each progress report within the required time period specified by COPS. In addition, each report included all of the required reporting elements. We concluded that Lawrence met the progress reporting requirement.

The OJP Financial Guide established an annual progress reporting requirement for JAG grants. The reports are due annually no later than December 31. Because JAG grants are formula based awards, OJP allowed Lawrence to use its Recovery Act reports to satisfy the annual progress reporting requirement. We reviewed both of the JAG progress reports Lawrence submitted covering the annual periods ending in December 2010 and December 2011 and found Lawrence submitted each progress report within the required time period specified by the OJP Financial Guide. The reports included among other things statistics relevant to the number of uniformed officers retained with grant funding.

### *Recovery Act Reports*

In addition to normal reporting requirements, grantees receiving Recovery Act funding are required to submit quarterly reports which include both financial and programmatic data. The Recovery Act requires recipients to submit their reporting data through [FederalReporting.gov](http://FederalReporting.gov), an online web portal that collects all the reports. Recipients must enter their data no later than the 10<sup>th</sup> of the month after each quarter beginning June 30, 2009.

Lawrence was responsible for submitting 11 CHRP and 4 JAG Recovery Act reports during the period of review. We examined six quarterly reports and we found the reports included the required elements. We found Lawrence officials filed each of the six reports in a timely manner.

Because Lawrence officials submitted each of the reports we tested within the required timeframe and because the reports included all of the required performance elements, we concluded that Lawrence met the reporting requirements.

### **Drawdowns**

Drawdown is a term to describe when a recipient requests funding for expenditures associated with a grant program. The OJP Financial Guide establishes the methods by which DOJ makes payments to grantees.

Advances are allowed, but non-formula grant funding must be used within 10 days of the transfer. To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed the grant manager, analyzed bank statements and reviewed documentation supporting the actual expenditures. We determined grant funds were requested on a reimbursement basis in all instances. In addition, we determined drawdowns were requested based on actual expenditures and did not exceed grant expenditures.

#### *COPS Hiring Recovery Program Grant*

At the time of our field work, Lawrence had requested funding for \$1,246,304 of the \$1,496,985 total award. We examined 10 drawdowns made between December 2009 and January 2012. Lawrence used the segregated accounting codes for the COPS grant to establish the amount of funding requested for each drawdown. Because the grant funded only entry-level salaries, Lawrence initially calculated the total cost of salary and fringe benefit expenditures and then divided the total into a grant funded share and a city funded share. For example, to support the January 2012 cumulative drawdown of \$125,340, Lawrence provided accounting records supporting \$152,856 of salary and fringe benefit expenditures – a difference of \$27,516 which represented the city's share of the expenditures.

Because Lawrence could support their drawdown requests with accounting records and because they addressed the potential for advanced payments, we concluded Lawrence met the terms and conditions of the COPS grant for drawdowns.

#### *Office of Justice Programs Byrne Memorial Justice Assistance Grant*

At the time of our field work, Lawrence had requested funding for the entire \$312,592 JAG grant. We examined five drawdowns Lawrence made between December 2009 and October 2010. Lawrence used the same methodology described in the preceding section to determine the JAG funding requests. To support the cumulative drawdown total of \$312,592, Lawrence provided accounting records supporting \$318,088 in expenditures and the city funded the difference of \$5,496.

Because Lawrence could support their funding requests with accounting records and because they addressed the potential for advanced payments, we concluded Lawrence met the terms and conditions of the JAG grant for drawdowns.

## **Compliance with Other Award Conditions**

Award requirements are included in the terms and conditions of a grant and special conditions may be added to address special provisions unique to an award. To ensure job growth or job preservation, the Recovery Act stipulated that funds from both grants should be used to supplement existing funding and not supplant, or replace, funding already appropriated for the same purpose. The CHRP grant required recipients to plan to retain all sworn officer positions funded by the award for one year after the grant ended. The formula based JAG grant did not include a requirement to address retention planning.

### *Supplanting Analysis*

To ensure job growth or job preservation, the Recovery Act stipulated that funds should be used to supplement existing funding and not supplant, or replace, funding already appropriated for the same purpose. During our audit, we completed an analysis of the number of jobs Lawrence preserved with Recovery Act funding through the grants, examining the potential for supplanting.

Lawrence requested CHRP funding to retain 7 existing full-time uniformed officer positions and received the grant in order to fund the officers who were planned to be laid off as a result of events unrelated to receiving the federal funding. In addition, Lawrence also received the JAG grant to retain 4 officers. To support its application for funding, Lawrence provided budget documents that showed Lawrence planned to lay-off uniformed officers if they were unable to obtain Recovery Act funding.

To eliminate the potential for supplanting after a recipient receives award funding, the recipient is expected to maintain its local budget for sworn officers during and after the period of the award. We examined the Lawrence Police Department's budget and the number of sworn officers or full-time equivalents (FTEs) during the 2009-2012 budget years.

**Lawrence Police Department  
Fiscal Years 2009 to 2012  
Total Budget and Fulltime Equivalents**

<b>FISCAL YEAR</b>	<b>TOTAL BUDGET</b>	<b>PLANNED FTEs</b>	<b>ACTUAL FTEs</b>
2009	\$13,335,910	147	137
2010	\$12,483,790	137	137
2011	\$11,079,166	100	100
2012	\$11,085,907	101	101

Source: Lawrence Police Department

As the table above demonstrates, between 2009 and 2012, Lawrence decreased its police department budget by over \$2 million and reduced the actual number of uniformed officers by 36. However, although the non-supplanting requirement prohibits a recipient from reducing its sworn officer budget after receiving a grant, federal regulations provide an exception to the requirement if the recipient can demonstrate the reduction occurred for reasons unrelated to grant funding.

We reviewed budget documents and found the reduction in both the city's and the police department budget and sworn officer strength resulted from reductions in funding provided by the Commonwealth of Massachusetts, not the receipt of award funding. During the 2009 and 2010 budget years, the Commonwealth reduced the funding provided to Lawrence by over \$7 million dollars. The reduction in state funding resulted in city-wide personnel reductions. For example, the Fire Department experienced a reduction of 44 firefighters and the city's Department of Public Works experienced a reduction of 20 fulltime personnel. Because the reductions in sworn officer budgets and end strength were unrelated to grant funding, we concluded Lawrence met the grant's non-supplanting requirement.

*Retention Planning*

The formula based JAG grant did not include a requirement to address retention planning. However, the CHRP grant required recipients to plan to retain all sworn officer positions funded by the award for one year after the grant ends. Grant recipients are expected to add grant funded officers to their projected budgets with local funds. The number officers retained

should be over and above the number of locally-funded positions that would have existed in the absence of the grant.

The grant manager told us she was aware of the requirement to retain grant funded officers with local funding. Since the grant will end during the FY 2013 budget period, we reviewed the proposed budget and found the city included the retention of seven grant funded officers in its budget proposal.

## **Program Performance and Accomplishments**

Both the CHRP and the JAG grants included an objective to preserve uniformed officer jobs that would have been eliminated if the city did not receive grant funding, based on the job preservation objective contained within the Recovery Act. The CHRP grant also included an objective to enhance Community Policing and the JAG grant included similar objectives.

As we noted earlier in the report, the city received CHRP and JAG funding to preserve 7 and 4 uniformed officer jobs, respectively. Our analysis of the potential for supplanting confirmed that the city preserved the 11 uniformed officer jobs that would have been eliminated in the absence of grant funding.

In the CHRP Application Guide, COPS identified the methods for measuring a grantee's performance in meeting the CHRP grant objectives. According to COPS there were two objectives for 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 describe 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 performance measure questions in the progress reports. In addition, the grantee's community policing implementation rating, contained in the progress report, would not be used in determining grant compliance.

We interviewed the grant manager, reviewed progress reports, and budget documents and found evidence of community policing related activities. For example, Lawrence's Community Engagement Initiative targets the city's highest risk neighborhoods to promote community involvement and maximize the officer's impact on crime. During this initiative, neighborhood visits are published in advance to maximize

community involvement and the department's Mobile Command Center is positioned in the neighborhood to provide a safe and secure area for officers to interact with city residents.

## **Conclusions**

We found Lawrence generally met the terms and conditions for the CHRP and JAG grants we reviewed. Specifically, Lawrence used grant funds for their intended purposes, to retain officer positions, appropriately managed and reported the use of those funds, and demonstrated that the positions funded by the grants would be retained in the future.

However, we found an inaccuracy related to a grant funded medical fringe benefit charged to the COPS grant for one CHRP funded officer. However, because the city documented higher than expected medical fringe benefit costs during the grant period, we did not question costs. We considered the inaccurate medical fringe benefit amount charged to the CHRP grant an internal control shortcoming that warrants management attention. As a result, we make one recommendation to address this finding.

## **Recommendation**

We recommend that COPS:

1. Ensure Lawrence develops and implements internal control procedures to accurately calculate medical fringe benefit cost rates.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of the audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment, (2) CHRP application statistics, (3) salary and fringe benefit expenditures, (4) budget management and controls, (5) reporting, (6) drawdowns, (7) compliance with other award conditions, and (8) program performance and accomplishments.

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

We audited a total of \$1,809,577 provided through an Office of Community Oriented Policing Services Hiring Recovery Program Grant and the Office of Justice Programs, Bureau of Justice Assistance FY 2009 Recovery Act Edward Byrne Memorial Justice Assistance Grant awarded to the City of Lawrence, Massachusetts. Our audit concentrated on, but was not limited to the initial award of the JAG grant in March 2009, through the end of our field work in June 2012.

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 audited against are contained in the Code of Federal Regulations: 28 CFR § 66, Uniform Administrative Requirements for Grants, the Office of Justice Programs Financial Guide, and the award documents. We also reviewed Lawrence's most recent Single Audits for the periods ending in June 2009 and June 2010 and identified no findings that could impact the grant funding we audited. In addition, both COPS and OJP conducted site visits and we identified no significant findings that could impact the scope or methodology for our audit.

In conducting our audit, we tested the Lawrence's award activities in the following areas: internal controls, CHRP application statistics, salary and fringe benefit expenditures, budget management and controls, reporting, drawdowns, compliance with other award conditions, and program

performance and accomplishments. In addition, we reviewed the internal controls of the city's financial management system specific to the management of DOJ funds during the award period under review. However, we did not test the reliability of the financial management system as a whole. We also performed limited tests of source documents to assess the accuracy and completeness of reimbursement requests and Federal Financial Reports.

LAWRENCE POLICE DEPARTMENT  
RESPONSE TO THE DRAFT AUDIT REPORT



John J. Romero  
Chief of Police

**Lawrence Police Department**

90 Lowell Street  
Lawrence, Massachusetts 01840  
Tel: (978) 794-5900

January 23, 2013

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

Dear Mr. Puerzer:

The Lawrence Police Department would like to respond the audit recommendations from the Department of Justice Office of the Inspector General, Audit Division, concerning the following grants:

**Office of Community Oriented Police Services (COPS) Hiring Recovery Program (CHRP) grant number 2009-RJ-WX-0396**

**The Office of Justice Program (OJP) Bureau of Justice Assistance Recovery Act Edward Byrne Memorial Justice Assistance (JAG) grant number 2009-SB-B9-0647**

**Recommendation 1:** Ensure Lawrence develops and implements internal control procedures to accurately calculate medical fringe benefit cost rates.

In October of 2010 the City of Lawrence implemented a new health insurance program by which the split of percentage paid by employees and the city was based on years of employment. In preparation of this new method of payment all employees' health care percentages were entered manually in the city's payroll system. Employees hired after June 30, 2003 were to be assessed 25% of the cost of health insurance, with the city paying 75% of the cost. In error, one of the officers on the COPS grant was assessed at 20% of the cost of his health insurance rather than 25%.

Fax: (978) 794-5917

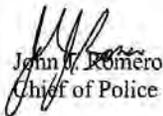
**Remedy 1:** During the audit this came to our attention and was corrected. To ensure this does not happen again, the system is in place when an employee is entered in the City's official record keeping system, the date of hire will appear for the insurance clerk to determine the amount the employee should be paying. This system was in place at the time the error was made, but because of the manual entering of data in the system an error was made. The city record has since been re-checked to insure all records are correct.

Additionally, once an employee begins service at the Police Department, the payroll clerk will double check to insure the correct percentage of health insurance is being charged in the bi-weekly payroll system, and initial the insurance sheet kept in the police department records.

We believe these steps will prevent this type of error from happening again.

If you have any questions concerning this matter please contact Kathleen Flanagan, Director of Support Service at 978-479-9074 or [kflanagan@lawpd.com](mailto:kflanagan@lawpd.com)

Sincerely,

  
John A. Romero  
Chief of Police

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

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Washington, D.C. 20531

FEB - 8 2013

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

FROM: Maureen A. Henneberg  
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of  
Community Oriented Policing Services and Office of Justice  
Programs Grants Awarded to the City of Lawrence, Massachusetts*

This memorandum is in response to your correspondence, dated January 10, 2013, transmitting the subject draft audit report for the City of Lawrence, Massachusetts. We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **one** recommendation and **no** questioned costs; however, the recommendation is directed to the Office of Community Oriented Policing Services. As the draft report contains no recommendations directed to the Office of Justice Programs, we have no comments.

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

Tracey Trautman  
Deputy Director for Programs  
Bureau of Justice Assistance

cc: Amanda LoCicero  
Budget Analyst  
Bureau of Justice Assistance

Brenda Worthington  
Grant Program Specialist  
Bureau of Justice Assistance

Bernard Melekian  
Director  
Office of Community Oriented Policing Services

Marcia Samuels-Campbell  
Acting Deputy Director for Grant Operations  
Office of Community Oriented Policing Services

Richard P. Theis  
Assistant Director, Audit Liaison Group  
Internal Review and Evaluation Office  
Justice Management Division

OJP Executive Secretariat  
Control Number 20130023

OFFICE OF COMMUNITY ORIENTED POLICING SERVICES  
RESPONSE TO THE DRAFT AUDIT 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

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

From: Melonie V. Shine / *MV*  
Management Analyst

Date: February 8, 2013

Subject: Response to the Draft Audit Report for the City of Lawrence, Massachusetts

This memorandum is in response to your January 10, 2013 draft audit report on the COPS Hiring Recovery Program Grant #2009RKWX0396, awarded to the City of Lawrence, Massachusetts (Lawrence). For ease of review, the audit recommendation is stated in bold and underlined, followed by a response from COPS concerning the recommendation.

**Recommendation 1 - Ensure Lawrence develops and implements internal control procedures to accurately calculate medical fringe benefit cost rates.**

COPS concurs that grantees should have internal control procedures to accurately calculate medical fringe benefit cost rates.

**Discussion**

COPS will contact the grantee to request information concerning the internal control procedures that have been developed and implemented to ensure that medical fringe benefit cost rates are accurately calculated.

**Request**

Based on the discussion, COPS requests resolution of Recommendation 1. In addition, COPS requests written acceptance of the determination from your office.

COPS would like to thank you for the opportunity to review and respond to the draft audit report. If you have any questions, please contact me at 202-616-8124 or via e-mail: melonie.shine@usdoj.gov.

ADVANCING PUBLIC SAFETY THROUGH COMMUNITY POLICING

Thomas O. Puerzer  
Philadelphia Regional Audit Manager, OIG  
February 8, 2013  
Page 2

cc: Louise M. Duhamel, Ph.D. (copy provided electronically)  
Justice Management Division

Marcia O. Samuels Campbell (copy provided electronically)  
Grant Operations Directorate

Grant File: CHRP #2009RKWX0396

Audit File

ORI: MA00513

**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 the Lawrence Police Department (Lawrence), the Office of Justice Programs (OJP), and the Office of Community Oriented Policing Services (COPS) for review and comment. Lawrence's response is included as Appendix II of this final report, the OJP response is included as Appendix III and the COPS response is included as Appendix IV. The following provides the OIG analysis of the responses. Based on the OIG's analysis of the responses, this audit report is issued closed.

**Recommendation Number**

1. **Closed.** Lawrence and COPS concurred with our recommendation to ensure Lawrence establishes internal control procedures to accurately calculate medical fringe benefit cost rates.

In its response Lawrence provided a new protocol designed to enhance the review of medical fringe benefit cost rates.

This recommendation is closed.