



**AUDIT OF THE OFFICE OF
COMMUNITY ORIENTED POLICING SERVICES
HIRING RECOVERY PROGRAM GRANT
AWARDED TO THE
MANTECA POLICE DEPARTMENT
MANTECA, CALIFORNIA**

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

Audit Report GR-90-13-005
August 2013

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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, 2009-RK-WX-0152, awarded to the Manteca Police Department (Manteca), Manteca, California.¹ This grant provided \$1,479,340 in funding to Manteca in order to avoid the layoff of four sworn officers.

The purpose of the audit was to determine whether costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) application statistics, (2) internal control environment, (3) expenditures, (4) drawdowns, (5) budget management and control, (6) reporting, (7) additional award requirements, (8) program performance and accomplishments, (9) retention plan, and (10) post grant end date activity.

We determined that Manteca generally complied with grant requirements in the areas we tested. However, we found that Manteca overcharged the grant \$75,138 in salary and fringe benefit costs and we question those costs. Further, the remaining unreimbursed grant funds of \$74,000 should be de-obligated by COPS and put to better use. We also recommend that Manteca enhance its procedures for ensuring that all costs charged to grants are allowable and allocable.

These items are discussed in further detail in the Finding and Recommendations section of the report. Our audit objectives, scope, and methodology appear in Appendix I and our Schedule of Dollar Related Findings appears in Appendix II.

¹ The grant start date was July 1, 2009, and the end date, with all known time extensions, was December 31, 2012.

We discussed the results of our audit with Manteca officials and have included their comments in the report, as applicable. In addition, we requested written responses to the draft audit report from Manteca and COPS and appended those comments to this report in Appendices II and IV, respectively. Our analysis of both responses, as well as a summary of action necessary to close the recommendations can be found in Appendix V of this report.

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INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG), Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant, 2009-RK-WX-0152, awarded to the Manteca Police Department (Manteca), Manteca, California. This grant, in the amount of \$1,479,340, was utilized to retain four sworn officers that were scheduled to be laid off.

**EXHIBIT 1
CHRP GRANT AWARDED TO
THE MANTECA POLICE DEPARTMENT**

Grant Award	Award Start Date	Award End Date ²	Award Amount
2009-RK-WX-0152	07/1/09	12/31/12	\$ 1,479,340
Total			\$ 1,479,340

Source: COPS

The purpose of the audit was to determine whether costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) application statistics, (2) internal control environment, (3) expenditures, (4) drawdowns, (5) budget management and control, (6) reporting, (7) additional award requirements, (8) program performance and accomplishments, (9) retention plan, and (10) post grant end date activity.

The Office of Community Oriented Policing Services

COPS, within the DOJ, 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 public and private

² The Award End Date includes all time extensions that were approved by COPS.

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 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 COPS for grants to state, local, and tribal governments to hire or retain police officers.

COPS Hiring Recovery Program

To distribute the Recovery Act money, COPS established 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 had been 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.

Background

The City of Manteca is located in San Joaquin County, California, approximately 77 miles east of San Francisco with a population of approximately 67,000 in 2010. Manteca's approved budget in fiscal year (FY) 2009 was approximately \$16 million and at the time of the grant application, it had a budgeted force of 64 sworn officers.

OIG Audit Approach

We tested Manteca's compliance with what we considered to be the most important conditions of the CHRP grant. Unless otherwise stated in our report, we applied the 2009 CHRP Grant Owner's Manual (Grant Owner's Manual) as our primary criteria during our audit. The Grant Owner's Manual serves as a reference to assist grantees with the administrative and financial matters associated with the grant. The manual was developed by COPS to ensure that all CHRP grantees understand and meet the requirements of the grant. We also considered applicable Office of Management and Budget (OMB) and Code of Federal Regulations (C.F.R.) criteria in performing our audit. We tested Manteca's:

- **Application statistics** – to assess the accuracy of key statistical data that the grantee submitted with its CHRP 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 grant.
- **Expenditures** – to determine whether costs charged to the grant including payroll and fringe benefits, were accurate, adequately supported, allowable, reasonable, and allocable.
- **Drawdowns** – to determine whether drawdowns were adequately supported and if Manteca managed grant receipts in accordance with federal requirements.
- **Budget Management and Control** – to determine whether there were deviations between the amounts budgeted and the actual costs for each category.
- **Reporting** – to determine if the required financial, programmatic, and Recovery Act Reports were submitted on time and accurately reflected grant activity.
- **Additional Award Requirements** – to determine whether Manteca complied with award guidelines, special conditions, and solicitation criteria.
- **Program Performance and Accomplishments** – to determine whether Manteca achieved grant objectives, and to assess performance and grant accomplishments.

- **Retention Plan** – to determine whether Manteca had a retention plan and retained CHRP grant funded officers at the conclusion of the grant.
- **Post Grant End Date Activity** – to determine whether Manteca had filed final reports.

The results of our audit are discussed in detail in the Findings and Recommendations section of this report. We discussed the results of our audit with Manteca officials and have included their comments in the report, as applicable. Our report contains three recommendations to COPS. The audit objective, scope, and methodology are discussed in Appendix I, and our Schedule of Dollar-Related Findings appears in Appendix II.

FINDING AND RECOMMENDATIONS

We determined that Manteca generally complied with grant requirements in the areas we tested. However, Manteca overcharged the grant \$75,138 in salary and fringe benefit costs and we questioned those costs.³ In addition, the remaining unreimbursed grant funds of \$74,000 should be de-obligated by COPS and put to better use.

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.⁴ 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 Manteca to support the information it submitted to COPS as a part of the application for the 2009 CHRP grant. We tested the accuracy of the application statistics and found 6 of the 41 statistics included in the application to be incorrect. Manteca characterized the discrepancies as inadvertent errors. We performed an analysis by applying COPS grant award criteria to the correct audited application statistics and determined that Manteca would still have received the CHRP grant using the correct audited application statistics.

³ The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix II for a breakdown of our dollar-related findings and for definitions of questioned costs.

⁴ 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).

Internal Control Environment

We reviewed Manteca's system of internal controls concerning its expenditure and accounting of CHRP grant funds. We noted a deficiency in that Manteca did not limit its reimbursement requests to entry-level salary and fringe benefits as required in CHRP grant award documentation. Rather, it charged the grant payroll amounts for experienced officer positions, something that was not allowed under the grant. Manteca's internal controls did not identify and prevent this from happening. We discuss this finding in greater detail in the Expenditure section of this report.

We began this audit by reviewing Manteca's accounting and financial management system to assess the organization's risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grant. We also interviewed management staff from the organization, performed payroll and fringe benefit testing, and reviewed financial and performance reporting activities to further assess the risk. Manteca's latest Single Audit Report, issued December 16, 2011, included an unqualified opinion without noting any material internal control weaknesses, deficiencies, or findings that could relate to Grant 2009-RK-WX-0152.

According to the Grant Owner's Manual, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost controls to ensure optimal use of funds. Award recipients must adequately safeguard funds and ensure the funds are used solely for authorized purposes.

While our audit did not assess Manteca's overall system of internal controls, we did review the internal controls of Manteca's financial management system specific to the administration of grant funds during the periods under review. Manteca maintained internal controls to ensure funds were used to employ four police officers and provide community oriented policing in compliance with all applicable laws, regulations, guidelines, and as authorized in the terms and conditions of the grant. While we determined that Manteca had a separate account to safeguard all CHRP grant payroll and fringe benefits, as mentioned above, Manteca did not limit its reimbursement requests to entry-level salary and fringe benefits as required in CHRP grant award documentation.

Expenditures

As of December 2012, Manteca had charged \$1,405,340 to the grant, made up entirely of salary and fringe benefit costs.⁵ We selected a judgmental sample of two non-consecutive pay periods, totaling \$44,398 for the grant-funded officers. We tested the selected payroll transactions to verify that salaries and fringe benefit costs were accurate, adequately supported, and reasonable. We describe the results of our payroll testing below.

We found that Manteca failed to ensure that it charged only entry-level salary and associated fringe benefits for each of the four grant-funded officers. As a result, Manteca overcharged the CHRP grant \$75,138 in salary and fringe benefit costs. We recommend that COPS ensure Manteca establishes procedures to verify that it accurately charges only allowable and allocable costs to grants.

According to CHRP grant award documentation, only entry-level salary and fringe benefit amounts were allowable costs under the grant. In its grant application, Manteca budgeted entry-level salary for a 36-month period, and included step increases, cost of living adjustments, holiday pay for all holidays, and fringe benefits encompassing health care insurance, dental insurance, vision care, Medicare, and retirement contributions. However, when Manteca sought reimbursement from COPS, it did so based on actual salary expenses for experienced officers (that exceeded entry-level salary) along with unbudgeted salary expenses such as education incentives and bilingual pay that were calculated as up to five percent of actual salaries. It also included unallowable salary expenses for K-9 special assignments. Likewise, Medicare and retirement contributions (fringe benefit categories), were calculated on actual salaries that exceeded entry-level salaries. As a result, Manteca received reimbursement for expenses well above allowable entry-level costs. According to Manteca officials, they had contacted the COPS office and believed COPS had approved reimbursements exceeding entry-level amounts provided the total amount reimbursed didn't exceed three years of entry-level expense for four officers. Further, Manteca would continue to fund the employment of the four grant-funded officers for the 36-month life of the grant and one additional year.

As mentioned above, we tested salary and fringe benefit expenditures for two non-consecutive pay periods during the grant period. We selected semi-monthly pay periods ending May 31, 2011, and March 15, 2012. We traced the costs to timekeeping and general ledger payroll documentation

⁵ The \$1,405,340 does not take into account \$5,600 in police officer furloughs.

and verified that labor charges were computed correctly, properly authorized, and accurately recorded.

Manteca began incurring actual personnel expenditures on November 1, 2009. To determine the allowable expenses for the grant, we calculated the entry-level salary and fringe benefits for the 36-month period beginning on November 1, 2009. We based our calculations on entry-level salary tables, allowable salary incentives, holidays that were actually worked by CHRP grant funded officers, and actual fringe benefit entitlements for CHRP grant funded officers. Our analysis found that Manteca should have charged \$921,991 in salary and \$408,211 in fringe benefits resulting in overcharging the grant by a total of \$75,138. Manteca officials explained why they overcharged the grant by stating that they had believed that the COPS-approved budget constituted the grant reimbursement ceiling. We recommend that COPS remedy questioned costs of \$75,138.

As of December 2012, the CHRP grant had unreimbursed funds of \$74,000. We recommend that COPS de-obligate the remaining unreimbursed grant funds and put those funds to better use.

Drawdowns

COPS requires grantees to minimize the cash maintained on hand by requesting funds based on immediate cash disbursement needs. Even though advances are allowed, funds must be used within 10 days of an electronic transfer. As of December 2012, Manteca had drawn down \$1,405,340 in grant funds.

To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed a grant official and reviewed documentation in support of actual expenditures. We determined that grant funds were requested on a reimbursement basis. We also found Manteca's drawdown process to be adequate in minimizing the time lapse between the drawdown and disbursement of funds. However, as previously noted, we found drawdown requests were based on actual expenditures that exceeded allowable entry-level salary and fringe benefit expenses.

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. We determined that Manteca complied with this requirement.

According to the Grant Owner's Manual, grant recipients may not reduce their locally-funded number of sworn officer positions during the 3-year CHRP grant period as a direct result of receiving the CHRP funding to pay for additional officers. Reductions in locally-funded sworn officer positions that occur for reasons unrelated to the CHRP funding – such as city-wide budget cuts – do not violate the non-supplanting requirement, but recipients must maintain documentation demonstrating the dates and reasons for the budget cuts to prove that they were unrelated to the receipt of CHRP grant funding in the event of an audit, monitoring site visit, or other form of grant compliance review.

We reviewed Manteca's funding strength for FYs 2009 through 2013 to determine if Manteca reduced its locally funded police force as a result of receiving grant funds. We found that Manteca's local funding level for sworn police officers was reduced by 13 from 58 in FY 2009 to 45 budgeted sworn officers in FY 2010. According to Manteca officials and supporting documentation, the reduction in local funding strength was a result of economic distress, which had an adverse effect on Manteca's overall budget and staffing levels, which included the city's various agencies, including its police department. Because of the economic distress on the city, and other agencies being asked to reduce staffing, we concluded that this reduction did not constitute a violation of the non-supplanting requirement. After FY 2010, Manteca maintained a steady staffing level of 45 budgeted officers. We concluded that based on this information, Manteca did not violate the COPS' non-supplanting requirement.

Reporting

According to the COPS' CHRP Grant Owner's Manual, award recipients are required to submit both quarterly Federal Financial Reports (FFR) and quarterly Progress Reports. Moreover, since this was a Recovery Act grant, Manteca was also required to submit quarterly Recovery Act reports. We reviewed the FFRs, Progress Reports, and quarterly Recovery Act reports submitted by Manteca to determine whether each report was accurate and submitted in a timely manner.

Federal Financial Reports

COPS monitors the financial aspect of its CHRP grants through Federal Financial Reports (FFR). According to the Grant Owner's Manual, grantees are required to submit FFRs within 45 days of the end of each quarter.

Grantees are required to submit FFRs even for periods when there have been no program outlays. Funds or future awards may be withheld if FFRs are not submitted or are late.

A Manteca official told us that FFRs were compiled using quarterly reports from their accounting system. As of February 2013, Manteca had submitted 13 of the 14 FFRs required for this grant. Manteca officials failed to submit an FFR for the first quarter of the grant (July 1, 2009, through September 30, 2009) during which there was no grant activity. Manteca officials stated that they did not know FFRs were required for periods where there was no program outlay. The last FFR that Manteca submitted was for the quarter ending December 31, 2012.

We tested each FFR for accuracy and timeliness. To test if the FFRs were accurate, we compared the expenditures reported on the FFRs to grant accounting detail and concluded that each report that was submitted was generally accurate. In addition, we tested the FFRs for timely submission using the criteria noted above and found that Manteca generally submitted all 13 FFRs to COPS in a timely manner. Because each of the FFRs we tested was generally accurate and submitted in a timely manner, we concluded that Manteca met COPS's financial reporting standards.

Progress Reports

Progress Reports provide information to COPS regarding a grantee's performance in accomplishing grant objectives as set forth in the approved award application. According to the Grant Owner's Manual, these reports must be submitted quarterly, within 30 days after the end of the reporting periods for the life of the award.

As of February 2013, Manteca was required to submit 14 quarterly Progress Reports. However, Manteca submitted only 11; Manteca failed to submit the first 3 required Progress Reports. Manteca officials did not have an explanation for why the first three required reports were not submitted. We do not take exception of Manteca's failure to submit the first three Progress Reports because there were no subsequent occurrences.

We selected the last eight Progress Reports submitted to test for timeliness and the last four to test for accuracy. We tested the Progress Reports for timeliness using the criteria noted above and found all eight Progress Reports were generally submitted on time. Additionally, we tested the last four Progress Reports to determine if the reports were accurate and complete, including a description of accomplishments related

to community policing. We found the reports we reviewed to be accurate and complete, including all required information.

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 collects all reports. Recipients must enter their data no later than 10 days after the close of each quarter.

As of November 2012, Manteca was required to submit 13 Recovery Act Reports. However, Manteca submitted only 10; Manteca failed to submit the first 3 required Recovery Act Reports. Manteca officials did not have an explanation for why the first three required reports were not submitted. We do not take exception of Manteca's failure to submit the first three Recovery Act Reports because there were no subsequent occurrences.

We selected the last eight Recovery Act Reports to test for timeliness using the criteria noted above and found that all eight reports were generally submitted in a timely manner. We also tested the last four Recovery Act Reports submitted for accuracy to determine if Manteca included the required information, including accomplishments related to community policing, and accurately reported the data. We found the four reports contained the required information and were accurate.

Additional Award Requirements

In the accompanying award documentation, COPS provided Manteca with specific terms and conditions for the grant that was awarded. We refer to these terms and conditions as special conditions and they may include special requirements unique to the award. Manteca's 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 we discussed in the Expenditures section of this report, we found that Manteca failed to ensure that it only charged entry-level salary and associated fringe benefits as stipulated in in the award's special conditions but instead charged salary and fringe benefits associated with experienced officers. This led to Manteca overcharging the grant \$75,138 in salary and fringe benefit costs.

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.

Even though COPS did not require Manteca to track statistics to support its performance, it required Manteca to be able to demonstrate that it is initiating or enhancing community policing in accordance with its community policing plan. Manteca's CHRP grant application was written with the expectation of hiring four new police officers. The application delineated specific community policing activities that were to be performed by the newly hired officers. Subsequent to the submission of the application, Manteca's financial condition deteriorated and the grant was approved as a rehire (essentially an avoid layoff) grant. Three of the four retained officers were full-time patrol officers responding to calls while attempting to perform community policing when possible. The fourth officer retained was a school resource officer largely involved in community policing.

According to Manteca officials, the four CHRP funded officers were assigned to the patrol division. We interviewed the four CHRP grant funded officers. Although working in the patrol division at the time of our interview, one school resource officer was usually assigned to gang prevention and worked with school age kids to keep them out of gangs and assist gang members in their departure from gangs. He was assigned to the elementary schools within the community and interacted with the students on a daily basis. The other three officers were assigned to patrol activities where they applied community policing and problem solving skills on a daily basis to suppress crime, apprehend offenders, educate the public, and strengthen community partnerships. During our interviews with the officers, they consistently stated they participated in many community partnerships. They worked with a partnership of community groups consisting of non-profits, the Manteca Unified School District, and the Manteca Police Department. The non-profits participating included Point Break, South County Crisis Center, and the Manteca Boys and Girls Club. The school resource officer provided gang prevention training and education to parents, workers, and students and participated in a mentoring program for troubled 7th to 9th graders in the Manteca Unified School District. The officers also gave gang presentations at community health fairs and to school employees.

We concluded that Manteca was meeting the community policing objective of the grant.

Retention Plan

Manteca officials stated that they intend to retain the four CHRP grant-funded officers for at least 1 year following the expiration of the 3-year grant. Manteca included in its FY 2013 local budget funding of the four officers. Following the expiration of the 36-month CHRP grant funding period on October 31, 2012, Manteca retained the four previously grant-funded officers.

Post Grant End Date Activity

We determined that Manteca timely filed their final FFR, Progress Report, and Recovery Act Report and found no reportable exceptions.

Conclusion

We found that Manteca overcharged the grant \$75,138 by consistently requesting and receiving reimbursement for experienced officers that exceeded the allowable amount for an entry-level officer's salary and fringe benefits. To address this situation, we provide three recommendations. In addition, we found that Manteca drew down grant funds on a reimbursement basis and generally submitted accurate FFRs, Progress Reports, and Recovery Act Reports in a timely manner. However, we found instances where Manteca failed to submit its first required FFR, its first three required Progress Reports, and its first three required Recovery Act Reports. Finally, we concluded that Manteca was meeting the community policing objective of the grant and planned to retain the four officers for at least one year after the expiration of the grant funding.

Recommendations

We recommend that COPS:

1. Remedy questioned costs of \$75,138.
2. Ensure Manteca establishes procedures to verify that it accurately charges only allowable and allocable costs to grants.
3. De-obligate the remaining unreimbursed grant funds of \$74,000.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether reimbursements claimed for costs under grant 2009-RK-WX-0152 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed grantee program performance in meeting grant objectives and overall accomplishments. We reviewed activities in the following areas: (1) application statistics, (2) internal control environment, (3) expenditures, (4) drawdowns, (5) budget management and control, (6) reporting, (7) additional award requirements, (8) program performance and accomplishments, (9) retention plan, and (10) post grant end date activity.

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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of COPS Hiring Recovery Program grant 2009-RK-WX-0152 on July 1, 2009, through the start of our audit fieldwork on May 7, 2012, which preceded the grant end date of December 31, 2012. Further, we tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the 2009 COPS Hiring Recovery Program Grant Owner's Manual and grant award documents.

We did not test internal controls for Manteca taken as a whole or specifically for the grant program administered by Manteca. An independent Certified Public Accountant conducted an audit of Manteca's financial statements. The results of this audit were reported in the Single Audit Report that accompanied the Independent Auditors' Report for the year ending June 30, 2011. The Single Audit Report was prepared under the provisions of OMB Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to Manteca or the federal programs it was administering, and we assessed the risks that those findings have on our audit.

In conducting our audit, we performed sample-based testing in four areas: payroll and fringe benefit charges, Progress Reports, Financial Reports, and Recovery Act Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant, such as unique payroll and fringe benefit adjustments throughout the year. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected.

In addition, we reviewed the timeliness and accuracy of Federal Financial Reports, Progress Reports, and Recovery Act Reports, and evaluated performance of grant objectives. However, we did not test the reliability of Manteca's financial management system as a whole. We tested the reliability of the information in the accounting system during the payroll verification testing. We traced a sample of the information in the accounting system to supporting documentation and found the information to be reliable.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>PAGE</u>
QUESTIONED COSTS⁶		
Unallowable Reimbursements in Excess of Entry-Level Limitations	\$ 75,138	7
Net Questioned Costs	\$ 75,138	
Funds to Better Use⁷		
Unreimbursed grant funds	\$ 74,000	8
TOTAL NET DOLLAR-RELATED FINDINGS	\$149,138	

⁶ **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.

⁷ **Funds to Better Use** are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

THE CITY OF MANTECA POLICE DEPARTMENT
RESPONSE TO THE DRAFT AUDIT REPORT



CITY OF MANTECA

POLICE DEPARTMENT

July 11, 2013

David J. Gaschke
Regional Audit Manager
U.S. Department of Justice
Office of the Inspector General
San Francisco Regional Audit Office
1200 Bayhill Drive, Suite 201
San Bruno, California 94066

Dear David J. Gaschke,

Thank you for the opportunity to review and comment on the audit of our 2009 COPS hiring grant. The auditors were very thorough in their audit of the grant, spending a great deal of time in the city and even more through phone calls and emails.

The audit basically states the City of Manteca was in compliance with all aspects of the grant, except for \$75,138 that was charged. The \$75,138 was the cost of the officers above what the grant allowed. The City of Manteca had contacted the COPS office to confirm if the \$75,138 were allowable charges. The City of Manteca was told by the COPS office the charges were allowable, as these were the actual costs incurred by the city. The grant rules allowed only entry level salaries for three years, but city rules and contracts state officers are entitled to step increases each year. It should also be noted the report also says that \$74,000 in grant funds were not spent by the city as allocated in the grant.

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CITY OF MANTECA

POLICE DEPARTMENT

When the City of Manteca initially applied for the 2009 COPS hiring grant we anticipated hiring four new officers. The city fell on difficult economic times between the time the grant was applied for and the time it was awarded. The city requested the grant altered to a re-hire grant and thankfully our request was approved. The city is still in difficult economic times and still moving towards a balanced budget.

Due to the fact that the City of Manteca only exceeded the total monies allowed by the grant by \$1,138, we respectfully ask that the leftover money of \$74,000 be applied to the \$75,138 and the city only be required to reimburse COPS \$1,138.

Thank you for the opportunity to respond to the audit and for the 2009 CHRP grant.

Sincerely,

Nicolas S. Obligacion
Chief of Police

1001 W. CENTER ST. • MANTECA, CA 95337 • (209) 456-8108 • FAX (209) 923-8938

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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

Via Email and U.S. Mail

To: David J. Gaschke
Regional Audit Manager
Office of the Inspector General
San Francisco Regional Audit Office

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

Date: July 15, 2013

Subject: Response to Draft Audit Report and request for resolution of Audit Recommendations 1 and 2 as well as closure of Recommendation 3 of the Draft Audit Report dated June 17, 2013 for the Manteca Police Department, Manteca, CA, ORI # CA03903.

This memorandum serves as COPS' request for resolution of Recommendations 1 and 2 as well as closure of Recommendation 3 of the Draft Audit Report dated June 17, 2013 for the Manteca Police Department, regarding COPS CHRP Grant # 2009-RK-WX-0152; based on the below referenced actions taken by COPS and the grantee.

Recommendation 1- Remedy questioned costs of \$75,138.

Status: *Draft*

Discussion: COPS agrees that grantees should not over charge for grant related expenses and should not exceed the allowable amount for entry-level officer's salary and fringe benefits.

Action Taken: The COPS Office has communicated with the grantee and will work with the Manteca Police department to develop a corrective action plan.

Request: Based on the discussion and action taken, COPS requests resolution of Recommendation 1.

Recommendation 2- Ensure Manteca establishes procedures to verify that it actually charges only allowable and allocable costs to grants.

David J. Gaschke, Regional Audit Manager, OIG
July 15, 2013
Page 2

Status: *Draft*

Discussion: COPS agrees that grantees should procedures to verify that it accurately charges only allowable and allocable costs to grants.

Action Taken: The COPS Office has been in contact with the grantee and will work with the Manteca Police Department to craft procedures to verify that it accurately charges only allowable and allocable costs to grants.

Request: Based on the discussion and action taken, COPS requests resolution of Recommendation 2.

Recommendation 3- De-obligate the remaining unreimbursed grant funds of \$74,000.

Status: *Draft*

Discussion: COPS agrees that unreimbursed grant funds should be de-obligated and put to better use.

Action Taken: COPS is de-obligating the remaining \$74,000 in unspent grant funds (copy attached).

Request: Based on the discussion and action taken, COPS requests closure of Recommendation 3.

Based on the above discussion and action taken, COPS asks that the OIG consider the Draft Audit Report Resolved and requests written acknowledgement of this determination from your office.

Thank you very much. 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:

COPS request for de-obligation of grant funds.

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

Audit File

Grant files: 2009-RK-WX-0152


ORI # CA03903




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: COPS Staff Accountant

THROUGH: Marcia Samuels-Campbell 
Assistant Director
Monitoring Division

FROM: Karl W. Bickel 
Senior Police Analyst

DATE: July 11, 2013

SUBJECT: Request for Deobligation of COPS Grant Funds
ORI: CA03903
Agency: Manteca, CA Police Department
CHRP Grant: #2009-RK-WX-0152

This memorandum is to request that the COPS Finance Office deobligate \$74,000 for the above referenced CHRP grant award under Draft Audit Report issued June 17, 2013.

Please contact me at (202) 514-5914, if you have any questions on this matter. Thank you for your assistance.

Enclosure

cc. Grant file (Copies - 1)
COPS CHRP Grant: #2009-RK-WX-0152

**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 Manteca and to COPS. Manteca's and COPS' responses are incorporated in Appendices III and IV of this final report, respectively. The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendation Number:

- 1. Resolved.** COPS concurred with our recommendation to remedy \$75,138 in questioned costs. The questioned costs resulted from Manteca overcharging the grant \$75,138 by consistently requesting and receiving reimbursement for experienced officers that exceeded the allowable amount for an entry-level officer's salary and fringe benefits. The COPS Office has communicated with the grantee and will work with Manteca to develop a corrective action plan.

While Manteca did not disagree with our recommendation, it stated in its response that it was told by COPS that the charges were allowable, as the charges were the actual costs incurred by the city. Further, Manteca stated grant rules allowed only entry level salaries for 3 years, but city rules and contracts state officers are entitled to step increases each year. We agree that the charges were for actual costs incurred by the city and that when entry-level salary is charged to the grant, it includes step increases. However, Manteca used the grant to fund experienced officers' salaries and fringe benefits above an entry-level officer's salary and fringe benefits as allowed by the grant terms. Further, our calculation of allowable costs included step increases an entry-level officer would have received.

This recommendation can be closed when we receive evidence that the \$75,138 in questioned costs has been remedied and a corrective action plan has been developed and implemented.

- 2. Resolved.** COPS concurred with our recommendation that COPS ensures that Manteca establish procedures to verify that it accurately charges only allowable and allocable costs to grants. COPS has been in contact with the grantee and will work with Manteca to craft procedures to verify that it accurately charges only allowable and allocable costs to grants.

This recommendation can be closed when we receive evidence that Manteca has established procedures for verifying that it accurately charges only allowable and allocable costs to grants.

3. **Resolved.** COPS concurred with our recommendation to de-obligate the remaining unreimbursed grant funds of \$74,000. COPS stated that the remaining \$74,000 in unspent grant funds has been de-obligated and included a copy of a memorandum to the COPS Staff Accountant requesting the same.

While Manteca did not specifically disagree with our recommendation, it stated in its response: "Due to the fact that the City of Manteca only exceeded the total monies allowed by the grant by \$1,138, we respectfully ask that the leftover money of \$74,000 be applied to the \$75,138 and the city only be required to reimburse COPS \$1,138." Manteca appears to be combining two separate and unrelated issues. Manteca did not incur allowable expenses during the grant's 3-year time period in support of the \$74,000 in unspent grant funds. Therefore, we believe this amount should be de-obligated. In addition, Manteca has already been reimbursed \$75,138 for costs that are not allowable in accordance with the grant terms. These are two separate issues and the amounts should not be netted against each other.

This recommendation can be closed when we receive evidence that the \$74,000 in unspent grant funds was de-obligated.