



**AUDIT OF THE
OFFICE OF JUSTICE PROGRAMS
EDWARD BYRNE MEMORIAL
JUSTICE ASSISTANCE GRANT PROGRAM
GRANTS AWARDED TO THE
CITY OF SPOKANE, WASHINGTON**

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

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September 2013

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EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of two Edward Byrne Memorial Justice Assistance Grant (JAG) Program grants (2009-DJ-BX-0482) and (2010-DJ-BX-0639) and a Recovery Act JAG grant (2009-SB-B9-0693) awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance to the City of Spokane, Washington (Spokane).¹ The purpose of the three grants was to fund criminal justice operations in the city of Spokane, and surrounding communities. Collectively, the grants provided assistance to Airway Heights, Cheney, Spokane, Spokane County, and Spokane Valley.² In total, OJP awarded the City of Spokane \$1,790,198 for all three grants. As of April 2013, Spokane and the other disparate jurisdictions had expended a total of \$1,737,084 (97 percent) of the grants.

**EXHIBIT 1
OJP JAG GRANTS AWARDED TO SPOKANE**

GRANT AWARD	AWARD START DATE	AWARD END DATE ³	AWARD AMOUNT
2009-DJ-BX-0482	10/01/08	09/30/12	\$ 297,369
2009-SB-B9-0693 (Recovery Act)	03/01/09	02/28/13	1,249,764
2010-DJ-BX-0639	10/01/09	09/30/13	243,065
Total			\$ 1,790,198

Source: OJP

¹ The JAG grants were awarded to the City of Spokane and were administered by the Spokane Police Department. For uniformity, we refer to the grantee as Spokane throughout the report, unless stated otherwise.

² According to OJP, in a "disparate jurisdictions" situation, multiple units of local government apply for an award with a single joint application. The recipient serving as a fiscal agent submits the application on behalf of its fellow sub-recipients. The responsibilities of the fiscal agent and sub-recipients are established in a Memorandum of Understanding between the entities. Spokane fulfilled the role of fiscal agent for the Recovery Act JAG grant and two non-Recovery Act JAG grants.

³ The Award End Date includes all time extensions that were approved by OJP.

The purpose of the Bureau of Justice Assistance's JAG Program is to enable states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. JAG funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, information systems for criminal justice, and criminal justice-related research and evaluation activities that will improve or enhance:

- Law enforcement programs;
- Prosecution and court programs;
- Prevention and education programs;
- Corrections and community corrections programs;
- Drug treatment programs;
- Planning, evaluation, and technology improvement programs; and
- Crime victim and witness programs (other than compensation).

Recovery 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 are 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.

Through Recovery Act JAG funding, the Department of Justice focused support on all components of the criminal justice system, including multi-jurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

OIG Audit Results

The purpose of our audit was to determine whether costs claimed under the grants 2009-DJ-BX-0482, 2010-DJ-BX-0639, and 2009-SB-B9-0693 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, terms and conditions of the grants. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including personnel, fringe benefits, indirect costs, and accountable property; (5) matching; (6) monitoring of sub-recipients and contractors; (7) budget management; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that indirect costs, matching, and post end date activity were not applicable to these grants.

As a result of our audit, we found that Spokane complied with essential grant requirements in five of the nine areas that we tested, to include grant expenditures that were properly authorized, classified, and supported. We also physically verified a sample of property items that were purchased with grant funds and found the items were properly recorded on the inventories. Additionally, as the fiscal agent for all three JAG grants, Spokane complied with grant requirements related to the proper monitoring of its sub-recipients to ensure that sub-recipients likewise adhered to grant requirements. Finally, Spokane submitted Federal Financial Reports, most Progress Reports, and Recovery Act reports in a timely manner. However, we noted the following deficiencies:

- An internal control weakness regarding access to Spokane's Master Vendor List;
- Inventories did not always identify property as federally funded or identify the grant that funded the purchase of the property;
- Program Income was not accurately reported on 8 of the 12 Federal Financial Reports we reviewed; and
- Differences between reported expenditures and accounting records were noted on the four Recovery Act Reports we reviewed.

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 Spokane officials and have included their comments in the report, as applicable. Our report contains three recommendations to OJP. The audit objective, scope, and methodology are discussed in Appendix I.

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INTRODUCTION

The Office of the Inspector General (OIG), Audit Division, has completed audits of Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grant Awards 2009-DJ-BX-0482, 2010-DJ-BX-0639, and 2009-SB-B9-0693 totaling \$1,790,198 awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), to the City of Spokane, Washington (Spokane).¹ Grant 2009-SB-B9-0693 was funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act).

The JAG Program (42 U.S.C. 3751(a)) is the primary provider of federal criminal justice funding to state and local jurisdictions. JAG funds support all components of the criminal justice system, from multijurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. JAG funded projects may address crime through the provision of services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

The purpose of the three grants was to fund criminal justice operations, in Spokane, Washington, and surrounding communities. Specifically, Grant 2009-DJ-BX-0482 provided assistance to Spokane, Spokane County, and Spokane Valley. Grant 2010-DJ-BX-0639 provided assistance to Spokane and Spokane County. Grant 2009-SB-B9-0693 provided funding to Spokane, the cities of Airway Heights, Cheney and Spokane Valley, and Spokane County. Spokane served as the fiscal agent

¹ The JAG grants were awarded to the City of Spokane and were administered by the Spokane Police Department. For uniformity, we refer to the grantee as Spokane throughout the report, unless stated otherwise.

for these disparate jurisdiction awards.² OJP awarded Spokane a total of \$1,790,198 for all three grants. As of April 2013, Spokane along with the other jurisdictions had expended \$1,737,084 (97 percent) of the grant awards.

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2010-DJ-BX-0639	10/01/09	09/30/13	243,065
Total			\$ 1,790,198

Source: OJP

The purpose of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures, including personnel, fringe benefits, indirect costs, and accountable property; (5) matching; (6) monitoring of sub-recipients and contractors; (7) budget management; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that indirect costs, matching, and post end date activity were not applicable to these grants.

Recovery Act

On February 17, 2009, the President signed into law the 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

² According to OJP, in a "disparate jurisdictions" situation, multiple units of local government apply for an award with a single joint application. The recipient serving as a fiscal agent submits the application on behalf of its fellow sub-recipients. The responsibilities of the fiscal agent and sub-recipients are established in a Memorandum of Understanding between the entities. The City of Spokane fulfilled the role of fiscal agent for the Recovery Act JAG grant and non-Recovery Act JAG grants.

³ The Award End Date includes all time extensions that were approved by OJP.

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 \$787 billion to stimulate the economy. The Department of Justice received \$4 billion in Recovery Act funds and \$2 billion of that funding was made available through the BJA JAG Program. Through Recovery Act JAG funding, the Department of Justice focused support on all components of the criminal justice system, including multijurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justices systems, processes, and procedures.

Background

Spokane is located in the county of Spokane, Washington, approximately 280 miles east of Seattle. Spokane is one of the largest cities in the state with a population of 208,916, while Spokane County has a population of 471,221.

OJP's mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. The BJA's overall goals are to: (1) reduce and prevent crime, violence, and drug abuse; and (2) improve the way in which the criminal justice system functions.

The purpose of the BJA's JAG Program is to enable state, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. JAG funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, information systems for criminal justice, and criminal justice-related research and evaluation activities that will improve or enhance:

- Law enforcement programs;
- Prosecution and court programs;
- Prevention and education programs;

- Corrections and community corrections programs;
- Drug treatment programs;
- Planning, evaluation, and technology improvement programs; and
- Crime victim and witness programs (other than compensation).

OIG Audit Approach

We tested Spokane's compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the *OJP Financial Guide*, award documents, Code of Federal Regulations, Office of Management and Budget (OMB) Circulars, and the Recovery Act. Specifically, we tested:

- **Internal Control Environment** – to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard the funds awarded to Spokane and ensure compliance with the terms and conditions of the grants.
- **Drawdowns** – to determine whether drawdowns were adequately supported and if Spokane was managing receipts in accordance with federal requirements.
- **Program Income** – to determine how Spokane accounted for program income in its financial management system and whether it used the program income in accordance with established criteria.
- **Expenditures** – to determine whether costs charged to the grant, including payroll, fringe benefits, and indirect costs (if applicable), were accurate, adequately supported, and allowable, reasonable, and allocable. In addition, we tested expenditures related to the purchase of accountable property and equipment to determine whether Spokane recorded accountable property and equipment in its inventory records, identified it as federally funded, and utilized the accountable property and equipment consistent with the grants.
- **Monitoring of Sub-recipients and Contractors** – to determine if Spokane provided adequate oversight and monitoring of its sub-recipients and contractors.

- **Budget Management** – to determine whether financial records appropriately accounted for funds received and disbursed, and if expenditures were in accordance with approved budgets.
- **Reporting** – to determine if the required financial, programmatic, and Recovery Act reports were submitted on time and accurately reflect grant activity.
- **Additional Award Requirements** – to determine whether Spokane complied with award guidelines, special conditions, and solicitation criteria.
- **Program Performance and Accomplishments** – to determine whether Spokane made a reasonable effort to accomplish stated objectives.

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 Spokane officials and have included their comments in the report, as applicable. Our report contains three recommendations to OJP. The audit objective, scope, and methodology are discussed in Appendix I.

FINDINGS AND RECOMMENDATIONS

We found that Spokane complied with essential grant requirements in five of the nine areas that we tested, to include grant expenditures that were properly authorized, classified, and supported. However, we noted an internal control weakness regarding access to the Master Vendor Listing, in that unauthorized modifications could be made. We also found that inventories for grant funded accountable property did not always identify property as being federally funded or include the grant number as required. Additionally, we determined that some Federal Financial Report (FFRs) and Recovery Act reports were not accurate.

Internal Control Environment

We reviewed Spokane's policies and procedures, Single Audit Report, and financial management system to assess its risk of non-compliance with laws, regulations, guidelines, terms and conditions of the grant. We also interviewed individuals from Spokane's grant management, accounting, and finance staff regarding internal controls and processes related to payroll, purchasing, and accounts payable functions. Finally, we observed the financial management system, as a whole, to further assess risk.

Single Audit

According to OMB Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted. We reviewed Spokane's most recent Single Audit for fiscal year (FY) 2010, which was issued September 26, 2011, and noted that the auditors issued an unqualified opinion. Auditors reported no significant deficiencies in the design or operation of the internal controls over major federal programs. In addition, there were no deficiencies that were considered material weaknesses.

Financial Management System

The *OJP Financial Guide* requires that all grant fund recipients "establish and maintain accounting systems and financial records to accurately account for funds awarded to them." In addition, it requires that the accounting system provide adequate maintenance of financial data to enable planning, control and measurement. Furthermore, the guide

stipulates that grantees must account for each award separately and may not commingle grant funds.

Overall, we found that Spokane adequately maintained grant-related financial records and data in accordance with the *OJP Financial Guide*. Spokane utilized the Mitchell Humphrey Financial Management System II (FMS II). Based on our review of grant-related transactions, we found that FMS II accurately accounted for grant-related receipts and expenditures. Further, we found that grant related transactions (receipts and expenditures) were separately tracked from other funding.

However, we noted an internal control weakness regarding Spokane's Master Vendor list. Specifically, the accountant who processes accounts payable also has access to the Master Vendor Accounts listing. This access could allow the accountant to falsify vendor addresses thereby allowing for payment of fictitious invoices. We recommend that Spokane strengthen internal controls over the Master Vendor List by limiting who has access to the list in order to minimize the potential risk of unauthorized changes to vendor information.

Drawdowns

The *OJP Financial Guide*, Part III, Chapter 1, generally requires that recipients time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. However, for JAG grants, recipients may draw down any or all grant funds in advance of grant costs.

All of the grants we audited were awarded under the JAG Program, and Spokane officials stated that grant funds were drawn down as advances for each grant. Consequently, we did not test whether Spokane had excess federal cash-on-hand for those grants because it was permitted to draw funds in advance of incurring costs. We reviewed Spokane's drawdown records and verified that funds for all three grants were deposited and properly segregated within Spokane's accounting system in accordance with OJP's requirements. Our review of Spokane's records found that grant funds were drawn down as follows on Exhibit 2.

**EXHIBIT 2
GRANT DRAWDOWNS**

GRANT NUMBER	DATE OF DRAWDOWN	AMOUNT
2009-DJ-BX-0482	01/21/10	\$ 297,369
2009-SB-B9-0693	08/03/09	1,249,764
2010-DJ-BX-0639	10/26/10	243,065
Total		\$ 1,790,198

Source: OJP

Program Income

According to the *OJP Financial Guide*, interest earned on JAG funding is considered program income and it should be expended only on allowable purpose areas under the JAG Program. Also, program income should be used within the grant period and any unexpended program income should be remitted to OJP.

We determined that as of December 2012, Spokane earned \$82,887 in grant-related program income, as shown in the exhibit below. Spokane correctly recorded the program income for each grant in its financial management system and as a result, these funds were available to be used on grant-related purposes. However, we found that for Grant 2009-SB-B9-0693, Spokane posted earned program income of \$30,520 to its general ledger in May 2011, but did not report the income on its FFR until December 2012.

**EXHIBIT 3
EARNED PROGRAM INCOME**

EARNED PROGRAM INCOME AS OF DECEMBER 2012	
GRANT NUMBER	AMOUNT
2009-DJ-BX-0482	\$ 5,491
2009-SB-B9-0693	72,235
2010-DJ-BX-0639	5,161
Total	\$ 82,887

Source: OJP

Expenditures

As of April 2013, Spokane expended a total of \$1,737,084, or 97 percent of all grant funds. When we began our audit in May 2011, we judgmentally selected a sample of transactions from each grant in order to determine if costs charged to the grants were allowable, properly authorized, adequately supported, and in compliance with grant terms and conditions.

In all, we selected 58 transactions totaling \$817,353 for testing as shown in Exhibit 4.

**EXHIBIT 4
SAMPLE GRANT EXPENDITURES**

GRANT NUMBER	TOTAL EXPENDITURES AS OF MAY 2011	TOTAL SAMPLE EXPENDITURES SELECTED	NUMBER OF TRANSACTIONS SAMPLED	SAMPLE AS PERCENTAGE OF TOTAL EXPENDITURES
2009-DJ-BX-0482	\$ 182,020	\$ 155,289	25	85%
2009-SB-B9-0693	746,585	633,802	30	85%
2010-DJ-BX-0639	29,056	28,262	3	97%
Totals	\$ 957,661	\$ 817,353	58	85%

Source: OIG analysis of Spokane’s Accounting Records

The expenditures we selected included purchases of firearms, laptop computers, target equipment, as well as consulting fees and other expenses. We reviewed supporting documentation including purchase orders, invoices, receipts, and check copies. Our review found that all expenditures were allowable, authorized, supported, and in compliance with grant terms and conditions.

Personnel

According to the *OJP Financial Guide*, charges made to federal awards for salaries, wages, and fringe benefits should be based on payroll records approved by responsible officials and the charges must be in accordance with the generally accepted practice of the organization. In particular, where grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made based on time and effort reports (e.g., timesheets).

For each grant, we selected a sample of individuals paid with grant funds. For each individual, we then selected two non-consecutive pay periods to test, which included salaries and fringe benefit expenditures totaling \$27,717.

We reviewed supporting documentation, such as time and attendance records, to determine: (1) if the positions paid with grant funds appeared reasonable with the stated intent of the program and were consistent with the OJP-approved budget, (2) whether the salaries of the employees paid with grant funds were within a reasonable range, and (3) if the salary and fringe benefit expenditures were adequately supported. Overall, we found

that the sample transactions tested were accurately recorded, properly authorized, and adequately supported.

Accountable Property

According to the *OJP Financial Guide*, property records should be maintained accurately and include the source of the property and award number. Spokane’s policy was to inventory items with a value greater than \$5,000 and a useful life of more than 1 year. Spokane also stated that sensitive items with a value of less than \$5,000, such as aircards, firearms and laptop computers were maintained on its property inventory records.

We selected a sample of 54 items from the inventories provided by Spokane of accountable property purchased with grant funds. We found that all the sampled accountable property items were properly recorded on Spokane’s property inventory records. However, as illustrated in Exhibit 5 for Grants 2009-DJ-BX-0482 and 2009-SB-B9-0693, the property inventory records did not always identify grant-funded property as federally funded or identify the grant that funded the purchase of the property. We recommend that OJP ensure that Spokane and its sub-recipients maintain accountable property inventory records that identify all grant-funded property as federally funded and include the grant number.

**EXHIBIT 5
INVENTORY DEFICIENCIES**

GRANT NUMBER	SAMPLED ITEMS	RECIPIENT	IDENTIFIED AS FEDERALLY FUNDED?	GRANT NUMBER IDENTIFIED?
2009-DJ-BX-0482	Glock Pistol (22)	Spokane	Yes	No
	Toshiba HDTV (4)	Spokane	No	No
2009-SB-B9-0693	Outdoor Target Equipment	Spokane	Yes	No
	Laptop (15)	Spokane	Yes	No
	Laptop (1)	Airway Heights	No	No
	Thermal Imager (2)	Cheney	Yes	No

Source: Spokane

Monitoring of Sub-recipients and Contractors

As the fiscal agent for the JAG grants, Spokane was responsible for ensuring that sub-recipients and contractors met the requirements of the JAG Program and the Recovery Act JAG Program. During our audit, we interviewed the Spokane Grant Administrator and reviewed grant-related documentation, including sub-recipient expenditures and vendor

service contracts. Based on our review, we determined that Spokane's management of funds and monitoring of the grants' sub-recipients and contractors was adequate to ensure compliance with grant requirements.

Budget Management

We found that Spokane maintained an accounting system and financial records that appropriately accounted for funds received and disbursed. The expenditures incurred by Spokane for the JAG grants reviewed were generally in accordance with the approved budgets. Additionally, separate accounting records were maintained for each grant. We did note that Spokane requested and received a Grant Adjustment Notice from OJP authorizing budget modifications for Grant 2009-SB-B9-0693.

Reporting

According to the *OJP Financial Guide*, award recipients are required to submit quarterly FFRs and Progress Reports. Additionally, as Grant 2009-SB-B9-0693 was a Recovery Act grant, Spokane was also required to submit quarterly Recovery Act reports. Collectively, these reports describe the status of the funds, grant completion status, and an estimate number of jobs created and retained. We reviewed the FFRs, Progress Reports, and Recovery Act reports submitted by Spokane to determine whether each report was accurate and submitted in a timely manner.

Federal Financial Reports

The *OJP Financial Guide* states that quarterly FFRs are due no later than 30 days after the end of each quarter and final FFRs are due within 90 days after the end date of the award. We reviewed the last four FFRs submitted for each of the grants as of the reporting period ending September 2012 to determine if Spokane submitted these reports on time. As illustrated in Exhibit 6, we found that Spokane submitted all reports in a timely manner.

**EXHIBIT 6
FEDERAL FINANCIAL REPORT HISTORY**

No.	REPORTING PERIOD	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
GRANT 2009-DJ-BX-0482				
1	10/01/11 – 12/31/11	01/30/12	01/30/12	0
2	01/01/12 – 03/31/12	04/30/12	04/27/12	0
3	04/01/12 – 06/30/12	07/30/12	07/17/12	0
4	07/01/12 – 09/30/12	12/30/12	12/14/12	0
GRANT 2009-SB-B9-0693				
1	10/01/11 – 12/31/11	01/30/12	01/30/12	0
2	01/01/12 – 03/31/12	04/30/12	04/27/12	0
3	04/01/12 – 06/30/12	07/30/12	07/16/12	0
4	07/01/12 – 09/30/12	10/30/12	10/25/12	0
GRANT 2010-DJ-BX-0639				
1	10/01/11 – 12/31/11	01/30/12	01/30/12	0
2	01/01/12 – 03/31/12	04/30/12	04/27/12	0
3	04/01/12 – 06/30/12	07/30/12	07/16/12	0
4	07/01/12 – 09/30/12	10/30/12	10/25/12	0

Source: OJP

We also reviewed the FFRs to determine whether they contained accurate financial information related to actual expenditures and program income for the awards. The *OJP Financial Guide* states that award recipients must report program outlays and revenue on a cash or accrual basis in accordance with their accounting system. For each grant, we compared the four most recently submitted FFRs as of the reporting period ending September 2012 to Spokane's grant accounting records.

Our review noted that some FFRS were not accurate. For Grants 2010-DJ-BX-0639 and 2009-SB-B9-0693, we found that Spokane did not accurately report program income on the FFRs. In all, program income was not reported correctly on 8 of the 12 FFRs we reviewed. A Spokane official stated that this error was due to the erroneous reporting of earned program income by reporting period, rather than cumulatively for Grant 2009-SB-B9-0693 and timing of adjustments and typographical errors in the case of Grant 2010-DJ-BX-0639. We recommend that OJP ensure that

Spokane enhances its procedures to make certain that all grant-related program income and expenditures are accurately included on its FFRs.

**EXHIBIT 7
ACCURACY OF SPOKANE'S FEDERAL FINANCIAL REPORTS**

No.	REPORTING PERIOD	TOTAL EXPENDITURES ON THE FFR ⁴	EXPENDITURES BASED ON ACCOUNTING RECORDS	DIFFERENCE BETWEEN FFRS AND ACCOUNTING RECORDS
GRANT 2009-DJ-BX-0482				
1	10/01/11 - 12/31/11	\$ 22,270	\$ 22,270	\$ 0
2	01/01/12 - 03/31/12	16,022	16,022	0
3	04/01/12 - 06/30/12	5,511	5,511	0
4	07/01/12 - 09/30/12	81,032	81,032	0
GRANT 2009-SB-B9-0693				
1	10/01/11 - 12/31/11	\$ 86,431	\$ 86,431	\$ 0
2	01/01/12 - 03/31/12	39,246	39,246	0
3	04/01/12 - 06/30/12	50,905	50,905	0
4	07/01/12 - 09/30/12	92,240	92,240	0
GRANT 2010-DJ-BX-0639				
1	10/01/11 - 12/31/11	\$ 11,206	\$ 11,206	\$ 0
2	01/01/12 - 03/31/12	10,693	10,693	0
3	04/01/12 - 06/30/12	97,844	97,844	0
4	07/01/12 - 09/30/12	6,984	6,984	0

Source: OIG analysis of OJP data and Spokane's accounting records

Progress Reports

According to the *OJP Financial Guide*, Progress Reports are due semi-annually for discretionary awards and annually for formula or block awards. Therefore, since the JAG grants that OJP awarded to Spokane were formula

⁴ Total expenditures include both the total amount of the federal share that was expended as well as the total amount of program income expended.

or block awards, Spokane was required to submit annual reports for all three JAG grants.⁵

As of the reporting period ending September 2012, we evaluated the accuracy and timeliness of progress reports for the last 2 years for each grant (one annual report and two semi-annual reports for each grant). The results of our testing are detailed in Exhibit 8. Our review determined that each of the Progress Reports were accurate. However, for Grant 2009-SB-B9-0693, one of the three Progress Reports we reviewed was submitted 1 day late. Since this was an isolated incident, we do not take exception.

**EXHIBIT 8
PROGRESS REPORT HISTORY**

No.	REPORTING PERIOD	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE	ACCURATE?
GRANT 2009-DJ-BX-0482					
1	10/01/10 - 09/30/11	10/30/11	10/27/11	0	Yes
2	10/01/11 - 03/31/12	04/30/12	04/30/12	0	Yes
3	04/01/12 - 09/30/12	10/30/12	10/29/12	0	Yes
GRANT 2009-SB-B9-0693					
1	10/01/10 - 09/30/11	10/30/11	10/31/11	1	Yes
2	10/01/11 - 03/31/12	04/30/12	04/30/12	0	Yes
3	04/01/12 - 09/30/12	10/30/12	10/29/12	0	Yes
GRANT 2010-DJ-BX-0639					
1	10/01/10 - 09/30/11	10/30/11	10/27/11	0	Yes
2	10/01/11 - 03/31/12	04/30/12	04/26/12	0	Yes
3	04/01/12 - 09/30/12	10/30/12	10/29/12	0	Yes

Source: OIG analysis of OJP data

Recovery Act Reports

Recovery Act Section 1512 requires recipients of Recovery Act funds to report related expenditures and the number of jobs created or saved as a result of Recovery Act funding. Therefore, for Grant 2009-SB-B9-0693, Spokane was required to submit quarterly reports within 10 days of the close of each quarter. As of the reporting period ending September 2012,

⁵ A Spokane official stated that in 2012 the Grants Management System (GMS) no longer allowed for an annual submission. Spokane responded by submitting semi-annual reports in GMS.

we reviewed the four most recent Recovery Act reports and found that all reports were submitted in a timely manner, as illustrated on Exhibit 9 below.

**EXHIBIT 9
QUARTERLY RECOVERY ACT REPORT HISTORY
GRANT 2009-SB-B9-0693**

No.	REPORTING PERIOD	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
1	10/01/11 – 12/31/11	01/10/12	01/09/11	0
2	01/01/12 – 03/31/12	04/10/12	04/05/12	0
3	04/01/12 – 06/30/12	07/10/12	07/09/12	0
4	07/01/12 – 09/30/12	10/10/12	10/09/12	0

Source: OIG data analysis of OJP data

We also tested to determine if the Recovery Act reports accurately reported Recovery Act-related cumulative expenditures and the number of jobs saved or created. As illustrated in Exhibit 10, we found that the cumulative expenditures included in the four Recovery Act reports differed from Spokane’s official accounting records. A Spokane official stated that these variances were due to the posting of expenditures to the general ledger after the Recovery Act reports had been submitted. We recommend that OJP ensure that Spokane submit accurate Recovery Act Reports that are consistent with the general ledger.

**EXHIBIT 10
ACCURACY OF QUARTERLY RECOVERY ACT REPORTS
GRANT 2009-SB-B9-0693**

No.	REPORTING PERIOD	RECOVERY ACT REPORT: CUMULATIVE EXPENDITURES	ACCOUNTING RECORDS: CUMULATIVE EXPENDITURES	DIFFERENCE
1	10/31/11 – 12/31/11	\$ 803,555	\$ 810,746	\$ (7,191)
2	01/01/12 – 03/31/12	\$ 861,885	\$ 892,610	\$ (30,725)
3	04/30/12 – 06/30/12	\$ 933,360	\$ 943,514	\$ (10,154)
4	07/31/12 – 09/30/12	\$1,006,354	\$1,035,754	\$ (29,400)

Source: OIG data analysis of OJP data

We also reviewed the last quarterly Recovery Act report as of the reporting period ending September 2012 to determine the accuracy of the number of jobs created and retained as reported. We verified full time

equivalent data for the second quarter of 2012 by tracing the data to supporting documentation. As a result, we found that Spokane accurately reported the number of jobs saved or created in its Recovery Act report.

Additional Award Requirements

We reviewed Spokane's grant award documentation to identify any additional special requirements that OJP required of Spokane for all three grant awards. We found that Spokane complied with these additional special requirements for all three grants.

Program Performance and Accomplishments

The JAG Program allows states and units of local government to support a broad range of activities to prevent and control crime based on their own state and local needs and conditions. According to the award documentation, with Spokane serving as a fiscal agent for itself, Airway Heights, Cheney, Spokane County, and Spokane Valley were to utilize grant funds for: (1) equipment, (2) staff salaries, and (3) supplies. Subsequently, a significant portion of grant funds were used to purchase equipment and salaries as shown in Exhibit 11.

**EXHIBIT 11
GRANT PERFORMANCE AND ACCOMPLISHMENTS**

RECIPIENT	EQUIPMENT OR SERVICES
GRANT 2009-DJ-BX-0482	
Spokane	<ul style="list-style-type: none"> • Firearms (22 Glock pistols) • Software maintenance updates for server • Cell phone service contracts
Spokane County	<ul style="list-style-type: none"> • Dive Team equipment • Mobile internet access devices (aircards) • Prosecutor (portion of salary)
Spokane Valley	<ul style="list-style-type: none"> • Mobile internet access devices (aircards)
GRANT 2009-SB-B9-0693	
Spokane	<ul style="list-style-type: none"> • Annual maintenance fees for IT client server • Graffiti Coordinator - salary • Laptop computers (15) • Mobile internet access devices (aircards) • Outdoor target equipment • Servers (2) • Software licenses and maintenance fees (Gang-net)
Airway Heights	<ul style="list-style-type: none"> • Laptop computer (1)
Cheney	<ul style="list-style-type: none"> • Thermal imagers (2)
Spokane County	<ul style="list-style-type: none"> • Criminal History Specialist – salary and benefits
Spokane Valley	<ul style="list-style-type: none"> • Laptop computers (6) • Mobile internet access devices (aircards)
GRANT 2010-DJ-BX-0639	
Spokane	<ul style="list-style-type: none"> • Consulting, schematic design of firing range.
Spokane County	<ul style="list-style-type: none"> • Legal Secretary, Prosecuting Attorney – salaries • Mobile internet access devices (aircards)

Source: OJP

We noted Spokane purchased equipment such as firearms that were not part of the original budgets. However, since the three JAG grants were formula or block grants, Spokane was allowed discretion in purchasing equipment and services, as long as the purchases were within the authorized purpose areas. Based on our review of the purchased equipment and services, we found these purchases to be within the authorized purpose areas.

Conclusion

Based on our review, we found that Spokane generally complied with essential grant requirements. Spokane separately tracked from all other funding grant-related transactions, program income resulting from interest earned, drawdowns, and reimbursement requests from its sub-recipients. Grant expenditures were properly authorized, classified, and supported. We physically verified a sample of property items that were purchased with grant funds and we found the items were being utilized for grant-related purposes. As the fiscal agent for all three JAG grants, Spokane complied with grant requirements and monitored its sub-recipients to ensure that the sub-recipients adhered to grant requirements. We also found that Spokane submitted the required FFRs, Progress Reports, and Recovery Act reports in a timely manner.

However, we noted some deficiencies in the administration of the grant. We identified an internal control weakness in that the accountant responsible for accounts payable also had access to the Master Vendor Accounts listing, which could allow for unauthorized or fictitious payments. We also found that inventories did not always identify property as federally funded or identify the grant that funded the purchase of the property. We also determined that Spokane inaccurately reported program income on eight of the FFRs. Finally, expenditures on the four Recovery Act reports did not match what was recorded in Spokane's accounting records.

Recommendations

We recommend that OJP:

1. Ensure that Spokane strengthens internal controls over the Master Vendor List by limiting who has access to the list in order to minimize the potential risk of unauthorized changes to vendor information.
2. Ensure that Spokane and its sub-recipients maintain accountable property inventory records that identify all grant-funded property as federally funded and include the grant number.
3. Ensure that Spokane enhances its procedures to make certain that all grant-related program income and expenditures are accurately included on its FFRs as well as other reports, such as Recovery Act reports.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under Grants 2009-DJ-BX-0482, 2009-SB-B9-0693, and 2010-DJ-BX-0639 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and 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) drawdowns; (3) program income; (4) expenditures including personnel, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that indirect costs, matching, and post end date activity were not applicable to these grants.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit concentrated on, but was not limited to, the period beginning October 1, 2008, through September 30, 2012, for Grant 2009-DJ-BX-0482 and the period beginning March 1, 2009, through September 30, 2012, for Grant 2009-SB-B9-0693 and the period beginning October 1, 2009, through September 30, 2012, for Grant 2010-DJ-BX-0639.

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

In conducting our audit, we performed sample testing in four areas, which included grant expenditures; FFRs; Progress Reports; and Recovery Act Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category. We identified samples of 58 grant expenditures, and 54 items of accountable property.

We did not test internal controls for Spokane taken as a whole or specifically for the grant program administered by Spokane. The Washington State Auditor's Office conducted an audit of Spokane'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 December 31, 2010. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant non-compliance issues related to Spokane or the federal programs it was administering, and assessed the risks of those findings on our audit.

In addition, we assessed the grantee's monitoring of sub-recipients; reviewed the timeliness and accuracy of FFRs, Progress Reports, and Recovery Act Reports; and evaluated performance to grant objectives. However, we did not test the reliability of the financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines. We also performed limited testing of information obtained from OJP's Grants Management System (GMS) and found no discrepancies. We thus have reasonable confidence in the GMS data for the purposes of our audit. However, the OIG has not performed tests of the GMS system specifically, and we therefore cannot definitively attest to the reliability of GMS data.

THE SPOKANE POLICE DEPARTMENT
RESPONSE TO THE DRAFT REPORT



SPOKANE POLICE DEPARTMENT
CHIEF OF POLICE
FRANK STRAUB, Ph.D.

7/31/13

David J. Gaschke
Regional Audit Manager
Office of the Inspector General
US Department of Justice
1200 Bayhill Drive, Suite 201
San Bruno, CA 94066
Email: David.J.Gaschke@usdoj.gov

Mr. Gaschke,

Below is the City of Spokane's response to the audit recommendations of grant numbers 2009-DJ-BX-0482, 2010-DJ-BX-0639, and 2009-SB-B9-0693.

Recommendation #1:

The City of Spokane has internal controls in place to mitigate the possible weakness of the same employee (Accountant II in Accounts Payable) that processes the accounts payable check run having the ability to add or modify data in the master vendor file as follows:

1. After the daily check run, a person other than the Accountant II picks up the checks from the computer operations center. That person then matches up all checks and ACH's with the backup documents submitted and approved by the individual departments to Accounts Payable.
2. Persons independent of the Accountant II are responsible for redeeming and reconciling the City's operating bank account, which includes all accounts payable checks and ACH's.

The City feels that these controls compensate for any weakness related to the master vendor list.

Recommendation #2:

The City of Spokane is putting procedures/checklists into place to verify that Small and Attractive items, such as laptops and televisions, are properly identified as grant purchases with the corresponding grant number for City and sub recipient equipment, as well as ensuring inventory lists also document this. However, it is not practical to put stickers with this information on some of the equipment, such as the firearms (Glocks). Inventory lists that indicate what serial number for this type of equipment is federally funded must suffice.

Recommendation #3:

Exhibit 7 states that expenditures were incorrectly reported on grant 2009-DJ-BX-0482 in the reporting period 7/01/12 – 9/30/12. The City expended \$81,032 during this period. \$75,541 was reported on line "e" of the FFR; the remaining program income expenditures were reported on line "n." The \$5,491 was an expenditure of program income, not grant funds, and was required to be reported on line "n."

Public Safety Building • 1100 W. Mallon Avenue • Spokane, WA 99260-0001





SPOKANE POLICE DEPARTMENT

CHIEF OF POLICE

FRANK STRAUB, Ph.D.

Exhibit 7 states that expenditures were incorrectly reported on grant 2009-SB-119-0693 in the reporting period 10/1/11 – 12/31/11. The City expended \$86,431 during this period. \$55,911 was reported on line "e" of the FFR; the remaining expenditure of \$30,520 was reported on line "j." The \$30,520 was an expenditure of program income, not grant funds. That expenditure should have been reported on line "n" instead of line "j."

Program income was not accurately reported on 8 of the 12 Federal Financial Reports. The previous Grant Accounting Specialist was not reporting program income on grants until it was spent. We tried reporting program income after she vacated the position. We received error messages stating we were required to spend program income as it was earned; which was not a requirement of the grant. Our Accounting Manager eventually contacted OCFO. They stated that we could ignore the error message and report the program income even when it was not being spent. We have been reporting program income since that time and this will be done correctly in the future.

Differences between reported expenditures and accounting records were noted on the four Recovery Act (ARRA) Reports. The Recovery Act reports are due ten days after the end of each quarter. Due to accrual accounting, not all financial transactions were posted to the financial system by the time the ARRA reports were due. Since there is no way, therefore, to accurately report within these timeframes, we will keep better records of what the financial transactions were effective as of the day the reports were submitted so those can be reconciled at later date.

Thank you for the opportunity to respond to these recommendations.

Sincerely,

Carly Cortright
Business Services Director
Spokane Police Department

cc (electronically): Linda J. Taylor
Theresa Sanders
Frank Straub
Pam Dolan
Angela Golden

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OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, DC 20531

AUG -2 2013

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

FROM: Maureen A. Henneberg
Director *M. Henneberg*

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Edward Byrne Memorial Justice Assistance Grant Awarded to the City of Spokane, Washington*

This memorandum is in response to your correspondence, dated July 11, 2013, transmitting the subject draft audit report for the City of Spokane, Washington (Spokane). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **three** recommendation and **no** questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendation is restated in bold and is followed by our response.

1. **We recommend that OJP ensure that Spokane strengthens internal controls over the Master Vendor List by limiting who has access to the list in order to minimize the potential risk of unauthorized changes to vendor information.**

OJP agrees with the recommendation. We will coordinate with Spokane to obtain a copy of policies and procedures implemented, to ensure that internal controls over access to the Master Vendor List are strengthened, to minimize the risk of unauthorized changes to vendor information.

2. **We recommend that OJP ensure that Spokane and its sub-recipients maintain accountable property inventory records that identify all grant-funded property as Federally funded and include the grant number.**

OJP agrees with the recommendation. We will coordinate with Spokane to obtain a copy of policies and procedures implemented, to ensure that property purchased with Federal funds is properly identified in the accountable property inventory records of Spokane, and its sub-recipients.

3. **We recommend that OJP ensure that Spokane enhances its procedures to make certain that all grant-related program income and expenditures are accurately included on its Federal Financial Reports as well as other reports, such as Recovery Act reports.**

OJP agrees with the recommendation. We will coordinate with Spokane to obtain a copy of enhanced policies and procedures, for ensuring that grant-related program income and expenditures are accurately included on all reports, including Federal Financial Reports and Recovery Act reports.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

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

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cc: OJP Executive Secretariat
Control Number 20131039

APPENDIX IV

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

The Department of Justice Office of the Inspector General (OIG) provided a draft of this audit report to the City of Spokane, Washington (Spokane) and the Office of Justice Programs (OJP). Spokane's and OJP's 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 OJP's actions necessary to close the report.

Recommendation Number:

- 1. Resolved.** OJP concurred with our recommendation that it ensure that Spokane strengthens internal controls over the Master Vendor List by limiting who has access to the list in order to minimize potential risk of unauthorized changes to vendor information. OJP stated that it will coordinate with Spokane to obtain a copy of policies and procedures implemented, to ensure that internal controls over access to the Master Vendor List are strengthened and minimize the risk of unauthorized changes to vendor information.

In its response, Spokane stated that it has internal controls in place to mitigate the possible weakness resulting from the Accountant II's ability to add or modify the master vendor list and his processing of the accounts payable "check run", and it believes that these controls compensate for any weakness related to the master vendor list. First, after each check run, checks and automatic clearing house (ACH) payments are picked up from the computer operation center, and matched to supporting documentation by an individual other than the Accountant II. Second, an individual independent of the Accountant II is responsible for reconciling Spokane's operating bank account that includes accounts payable checks and ACH payments.

We agree that these additional controls described by Spokane in its response help in reducing the risk of unauthorized payments. However, these controls do not completely address the risk of unauthorized changes to vendor information, such as changes to a vendor's address that the Accountant II can perform and thereby misdirect payments. Unauthorized changes to vendor addresses could be made and yet not identified by the controls that Spokane described in its response. To

ensure adequate internal controls over grant funds and to prevent unauthorized vendor changes and subsequent payments, we maintain that Spokane should strengthen its controls in this regard.

This recommendation can be closed when OJP provides evidence that it has coordinated with Spokane and determined that Spokane's new procedures strengthen internal controls over access to Spokane's Master Vendor List and minimize the risk of unauthorized changes to vendor information.

2. **Resolved.** OJP concurred with our recommendation that it ensure Spokane and its sub-recipients maintain accountable property inventory records that identify all grant-funded property as federally funded and include the grant number. OJP stated that it will coordinate with Spokane to obtain a copy of policies and procedures implements, to ensure that property purchased with federal funds is properly identified in the accountable property inventory records of Spokane and its sub-recipients.

In its response, Spokane stated that it was putting into place procedures or checklists to verify small and attractive items, such as laptop computers and televisions, are properly identified as grant purchases. Also, Spokane stated that it will ensure that its inventory lists also document equipment that was purchased with grant funds.

Additionally, Spokane noted that it was impracticable to place stickers with this type of information on some equipment, such as firearms. Our recommendation did not prescribe the application of stickers, but rather pertained to the identification of grant-related equipment purchases as being federally funded on Spokane's property records.

The recommendation can be closed when OJP provides evidence that it has coordinated with Spokane and determined that Spokane's procedures ensure property purchased with federal funds is properly identified in the accountable property inventory records of Spokane and its sub-recipients.

3. **Resolved.** OJP concurred with our recommendation that it ensure that Spokane enhances its procedures to make certain that all grant funded-related program income and expenditures are accurately included on its FFRs as well as other reports, such as Recovery Act reports. OJP stated that it will coordinate with Spokane to obtain a copy of enhanced policies and procedures for ensuring that grant-related program income

and expenditures are accurately included on all reports, including Federal Financial Reports (FFR) and Recovery Act reports.

In its response, Spokane stated that program income was not accurately reported on 8 of the 12 FFRs because the previous Grant Accounting Specialist was not reporting program income on grants until it was spent. However, Spokane also stated that since that time, it has been reporting program income and that it will do so correctly in the future. Spokane also acknowledged differences between reported expenditures on four Recovery Act reports and its accounting records and explained it was due to accounting timing differences. Spokane stated that it will keep better records of what financial transactions are effective as of the day the reports are submitted so that it can reconcile them at a later date.

Further, Spokane offered additional information regarding data that we included in Exhibit 7 of our report. For two reporting periods ending September 30, 2012, related to grant 2009-DJ-BX-0482 and December 31, 2011, related to grant 2009-SB-B9-0693, Spokane stated that total amounts expended were divided between the amount of the federal share that was expended and the amount of program income that was expended. In both instances, the expenditure amounts were reported in two separate sections and not as a combined amount. We verified Spokane's explanations and as a result, we updated Exhibit 7 to include the combined expenditure amounts from the two separate sections (total federal share expended and total program income expended) of each FFR. Related to this change, we also removed a related paragraph in the Reporting section of this report that discussed these dollar amounts and differences.

This recommendation can be closed when OJP provides evidence that it has coordinated with Spokane and determined that Spokane's procedures have been enhanced to ensure that all grant-related program income and expenditures are accurately included on its FFRs as well as other reports, such as Recovery Act reports.