



**AUDIT OF THE NATIONAL INSTITUTE OF JUSTICE
AWARD TO THE CITY OF BALTIMORE POLICE
DEPARTMENT CRIME LABORATORY
BALTIMORE, MARYLAND**

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

Audit Report GR-30-14-002
April 2014

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AWARD TO THE CITY OF BALTIMORE POLICE DEPARTMENT
CRIME LABORATORY
BALTIMORE, MARYLAND**

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of National Institute of Justice (NIJ) cooperative agreement numbers 2011-DN-BX-K463 (\$669,143) and 2012-DN-BX-0067 (\$511,749), awarded to the City of Baltimore Police Department (BPD) Crime Laboratory. The NIJ funding was part of the fiscal years (FY) 2011 and 2012 DNA Backlog Reduction Program. The goal of the DNA Backlog Reduction Program is to assist eligible States and units of local government in reducing the number of forensic DNA and DNA database samples awaiting analysis.

The objective of our audit was to review performance in the following areas: (1) internal control environment, (2) federal financial reports and progress reports, (3) drawdowns, (4) budget management and control, (5) expenditures, (6) contract management, (7) program income, and (8) program performance and accomplishments.

Our audit found that the transactions we reviewed were, in general, properly authorized, supported, and charged to the cooperative agreement. However, during the audit, we found BPD's official accountable property records did not contain all grant-funded equipment items that should have been included and they did not conduct a physical inventory of the equipment purchased with federal funds, as required by the grant. Therefore, we recommend that BPD physically inventory assets purchased with award funds at least once every 2 years, and ensure the department's official accountable property list contains all award-funded equipment items that should be included. Additionally, while we verified that the BPD Crime Laboratory has met, in part, the objectives of the award, we could not determine the number of DNA backlogged cases during the award period.

We discussed the results of our audit with BPD Crime Laboratory officials and have included their comments in the report.

Table of Contents

	Page
INTRODUCTION	1
FINDINGS AND RECOMMENDATIONS	3
Internal Control Environment	3
Single Audit	3
Financial Management System	3
Reporting	4
Federal Financial Reports	4
Progress Reports	5
Program Performance	5
DNA Analyst Staffing Levels	6
Drawdowns	7
Budget Management and Control	7
Cooperative Agreement Expenditures	8
Personnel Costs	8
Travel and Other Costs	10
Equipment	10
Monitoring of Consultants and Contractors	11
Recommendations	11
APPENDIX I - OBJECTIVE, SCOPE, AND METHODOLOGY	12
APPENDIX II - BALTIMORE POLICE DEPARTMENT'S RESPONSE TO THE DRAFT REPORT	14
APPENDIX III - NATIONAL INSTITUTE OF JUSTICE RESPONSE TO THE DRAFT REPORT	16
APPENDIX IV - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	18

INTRODUCTION

The Office of the Inspector General, Audit Division, has completed an audit of National Institute of Justice (NIJ) cooperative agreement numbers 2011-DN-BX-K463 (\$669,143) and 2012-DN-BX-0067(\$511,749), awarded to the City of Baltimore Police Department (BPD) Crime Laboratory.¹ The NIJ funding was part of the fiscal years (FY) 2011 and 2012 DNA Backlog Reduction Program. The goal of the DNA Backlog Reduction Program is to assist eligible States and units of local government in processing, recording, screening, and analyzing forensic DNA and/or DNA database samples, and to increase the capacity of public forensic DNA and DNA database laboratories to process more DNA samples, thereby helping to reduce the number of forensic DNA and DNA database samples awaiting analysis.

Specific goals that the BPD Crime Laboratory sought to achieve during the award period were to: (1) Reduce the forensic DNA casework backlog through overtime and outsourcing; (2) Increase the capacity of the laboratory by purchasing equipment, such as Sperm Hyliter accessories for an automated microscope, three freezers, five computers with peripherals, and by hiring three Evidence Technicians and DNA Criminalists; and (3) Provide the required continuing education for analysts.

Audit Approach

We tested compliance with what we considered the most important conditions of the cooperative agreement. Unless otherwise stated in the report, we used the Office of Justice Programs (OJP) Financial Guide (Financial Guide) to assess BPD's performance and compliance with the requirements of the cooperative agreement.² Specifically, we tested BPD's:

- **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 the BPD Crime Laboratory and ensures compliance with the terms and conditions of the NIJ cooperative agreements;
- **Reporting** to determine if the required federal financial reports and progress reports were submitted timely and accurately reflect the activity of the cooperative agreement;
- **Drawdowns** to determine whether drawdowns were adequately supported and if the BPD Crime Laboratory was managing receipts in accordance with federal requirements;

¹ The BPD Crime Laboratory is the agency section that is responsible for analyzing evidentiary material associated with criminal investigations for all local law enforcement agencies within the City of Baltimore. The BPD Crime Laboratory does not perform analysis on DNA database samples.

² The Financial Guide serves as a reference manual that provides guidance to award recipients on the fiduciary responsibility to safeguard award funds and to ensure funds are used appropriately. OJP requires award recipients to abide by the requirements in the Financial Guide.

- **Budget Management and Control** to determine whether financial records appropriately accounted for funds received and disbursed, and if BPD Crime Laboratory expenditures were in accordance with approved budget categories;
- **Cooperative Agreement Expenditures** to determine whether costs charged to the grant, including payroll, fringe benefits, and overtime 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 the BPD Crime Laboratory recorded accountable property and equipment in its inventory records, identified it as federally funded, and utilized the accountable property and equipment consistent with the NIJ cooperative agreement;
- **Monitoring of Contractors** to determine if the BPD Crime Laboratory provided adequate oversight and monitoring of its contractor; and
- **Program Performance and Accomplishments** – to determine whether the BPD Crime Laboratory made a reasonable effort to accomplish stated objectives.

The award did not include program income, matching funds, or indirect costs. The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Appendix I contains additional information on our objective, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

Our audit found that the transactions we reviewed were, in general, properly authorized, supported, and charged to the cooperative agreement. However, we found that the City of Baltimore Police Department official accountable property records did not contain all award-funded equipment items that should have been included. Further, the BPD did not conduct a physical inventory of the equipment purchased with federal funds, as required by the grant. Based on our audit results, we made one recommendation to strengthen the internal controls over award-funded equipment.

Internal Control Environment

According to the *OJP Financial Guide*, grant recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost controls to ensure optimal use of funds. Award recipients must adequately safeguard funds and ensure they are used solely for authorized purposes. While our audit did not assess BPD's overall system of internal controls, we did review the internal controls of BPD's financial management system specific to the administration of grant funds during the periods under review.

Single Audit

The Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133) requires that non-federal entities that expend at least \$500,000 a year in federal awards have a Single Audit conducted of its financial statements.³ We reviewed the City of Baltimore's Single Audit reports for FY(s) 2009, 2010, and 2011, which encompassed the BPD, and found that the reports did not disclose any weakness, noncompliance issues, or cross-cutting findings related to the grants under review.⁴

Financial Management System

We interviewed key personnel at the BPD Crime Laboratory, including the Director and Biology Unit Supervisor, and pertinent BPD officials regarding the financial management system, record keeping practices, and methods for ensuring adherence to the terms and conditions of the cooperative agreements. We also reviewed written policies and procedures and accounting records to assess its risk

³ The purpose of the single audit is to determine whether the financial statements and schedule of expenditures of federal awards are presented fairly in all material respects and in conformity with generally accepted accounting principles.

⁴ At the time of our audit, FYs 2009, 2010, and 2011 were the most current available.

of non-compliance with laws, regulations, guidelines, and terms and condition of the grant. Based upon our review, we found that the BPD's internal control environment includes adequate separation of duties and controls over the financial management system. However, BPD did not perform an annual physical inventory of equipment since 2008; this issue is discussed later in the "Cooperative Agreement Expenditures" section of this report.

Reporting

According to the *OJP Financial Guide*, award recipients are required to submit both financial and program progress reports to inform awarding agencies on the status of each award. Federal Financial Reports (FFRs) should detail the actual expenditures incurred for each quarterly reporting period, while progress reports should be submitted semiannually and describe the performance activities and achievements of the project supported by each award.

Because accurate and timely FFRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor award activities and expenditures, we reviewed BPD reports for cooperative agreement numbers 2011-DN-BX-K463 and 2012-DN-BX-0067.

Federal Financial Reports

DOJ awarding agencies monitor the financial performance of each award via FFRs. According to the *OJP Financial Guide*, FFRs should be submitted within 30 days of the end of each quarterly reporting period. Even when there have been no outlays of award funds, a report containing zeroes must be submitted. Awarding agencies may withhold funds or future awards if reports are submitted late, or not at all.

To verify the timeliness of the FFRs, we tested the last 10 reports submitted as of July 24, 2013, which included award activity through June 30, 2013.⁵ We compared the submission date of each report to the date each report was due, and found that all FFRs were submitted on time.

The Financial Guide indicates that an awardee's accounting system for reporting must support all amounts reported on the FFRs. To verify the accuracy of the FFRs, we discussed the process for submitting FFRs with the responsible BPD officials and compared the amounts reported on the last 10 FFRs to expenditures recorded in the awardee's accounting records. Based on our testing, we found that expenditures reported on three of the FFRs contained minor errors that were corrected and reconciled to official accounting records.

⁵ Seven FFR's were submitted for cooperative agreement 2011-DN-BX-K463 and three were submitted for cooperative agreement 2012-DN-BX-0067.

Progress Reports

While FFRs report award financial activity, progress reports describe the project status and accomplishments of the DOJ supported program or project. Progress reports should also describe the status of the project and compare actual accomplishments to anticipated program objectives. According to the Financial Guide, award recipients are required to submit progress reports every six months during the performance period of the award. Progress reports are due 30 days after the end of each semi-annual reporting period, June 30 and December 31. DOJ awarding agencies may withhold award funds if awardees fail to submit accurate progress reports on time.

To assess whether the BPD Crime Laboratory submitted progress reports on time, we reviewed four progress reports covering the 2011-DN-BX-K463 cooperative agreement and two progress reports for the 2012-DN-BX-0067 cooperative agreement. We found that progress reports were generally submitted on time.

We also reviewed reported program achievements detailed in these same progress reports, to determine if BPD Crime Laboratory achievements and goals were consistent with its stated program goals. According to its award documentation, goals of the program are to: (1) Reduce the forensic DNA casework backlog through overtime and outsourcing; (2) Increase the capacity of the laboratory by purchasing equipment and hiring three Evidence Technicians and DNA Criminalists; and (3) Provide the required continuing education for analysts.

At the time of our testing, we were able to determine the BPD Crime Laboratory expended monies to pursue, in part, all three of its project goals. Specifically, we reviewed documentation that evidenced the BPD Crime Laboratory paid the salaries of five employees dedicated to the award (three Criminalists and two Evidence Technicians), overtime for other DNA employees, and payment of DNA employees travel and registration fees for training events. Also, the BPD Crime Laboratory purchased several equipment items with the FY 2011 award, including a Sperm Hyliter, Power Protection System, five desktop computers, and three laboratory freezers.

Program Performance

To determine if the BPD Crime Laboratory reduced its DNA backlog cases, we found that the laboratory keeps track of evidence submitted and requested for analysis by the BPD. The BPD Crime Laboratory utilizes two in-house databases; one for serology analysis and the other for DNA analysis. When evidence is submitted to the serology unit and requested for analysis the date is tracked as case received through case completed. Analysis of DNA is contingent upon the identity of DNA presented on evidence submitted and analyzed in the serology unit. Also, when DNA evidence is submitted to the DNA unit and requested for analysis the date is tracked as case received through case completed.

We obtained both the serology and DNA analysis databases; however, we were not able to assess the data presented in the databases. The serology and DNA databases are not linked and we could not determine the length of time evidence was submitted in serology to the date the evidence was received in the DNA unit.⁶ Further, we could not replicate the data in the DNA database to chart the number of backlogged DNA cases during the award period. As a result, we could not determine if the cooperative agreement helped reduce the DNA backlog. Officials at the BPD Crime Laboratory stated that NIJ should develop a database system for all laboratories who receive federal funding to capture DNA backlog cases. In our view, program performance must be assessed throughout the award term to help determine if funds are being used to meet program objectives and to make adjustments if necessary.

DNA Analyst Staffing Levels

According to the FY 2011 Backlog Reduction Program documentation, BPD Crime Laboratory stated that it would hire three Evidence Technicians and three additional Criminalists to conduct analyses on forensic DNA cases. We determined that the FY 2011 award has been used to hire two Evidence Technicians and three Criminalists. According to a BPD Crime Laboratory official, the number of evidence technicians was reprogrammed due to fewer responsibilities as originally projected.⁷

In order to determine the level of federal support for DNA analyst positions provided to the BPD Crime Laboratory, we obtained a breakdown of funding sources for the DNA positions from FYs 2009 to 2014.⁸ This data is provided in Exhibit 1.

⁶ NIJ's definition of backlog is any case over 30 days from the time evidence is received in the Laboratory until the analysis is complete.

⁷ A BPD Crime Laboratory official stated the three hired Criminalists were originally hired as contractual serologists using non DOJ funds; however, they were retained and hired as Criminalists with the FY 2011 award.

⁸ This official added that the FY 2013 listed positions are funded through the FY 2011 cooperative agreement, and FY 2014 listed positions are funded through the FY 2012 cooperative agreement.

**Exhibit 1: City of Baltimore Police Department Crime Laboratory
DNA Analyst Funding Sources
FY 2009-2014 (City of Baltimore vs. Federal Funding)**

	FY 09	FY 10	FY 11	FY 12	FY 13*	FY 14*
City of Baltimore General Fund Filled	10	11	10	12	12	14
City of Baltimore General Fund Vacant	2	0	2	1	2	0
<i>Total City of Baltimore General Fund Positions</i>	<i>12</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>14</i>	<i>14</i>
Federally Funded Filled	7	8	8	8	5	4
Federally Funded Vacant	0	0	0	0	0	1
<i>Total Federally Funded Positions</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>5</i>	<i>5</i>
Total Available	19	19	20	21	19	19

Source: City of Baltimore Police Department Crime Laboratory

Drawdowns

To obtain DOJ award money, award recipients must electronically request award funds via drawdowns. The Financial Guide states that award recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for award funds to ensure they will have only the minimum federal cash on hand required to pay actual or anticipated costs within 10 days.

According to BPD personnel, drawdown requests are based on reimbursements of expenses. To ensure that BPD requested funds properly and kept minimum cash on hand, we analyzed its drawdowns to date and compared the overall amount to the cooperative agreement 2011-DN-BX-K463 accounting records. Overall, we found that the amounts drawn down did not exceed the expenditures in the accounting records. As of September 30, 2013, the grantee had not drawn down any funds on cooperative agreement 2012-DN-BX-0067.⁹

Budget Management and Control

Awardees should expend funds according to the budget approved by the awarding agency and included in the final award. Approved award budgets document how much the recipient is authorized to spend in high-level budget categories, such as personnel, supplies, and contractors. The Financial Guide also states that award recipients may request a modification to approved award budgets

⁹ NIJ restricts the obligation, expenditure, or drawdowns of the 2012-DN-BX-0067 cooperative agreement until all funds from the 2011-DN-BX-K463 cooperative agreement are expended. NIJ DNA Backlog Reduction Program project period of the award lasts for 18 months. The project period for the 2011 DNA Backlog Reduction award was October 1, 2011 – March 31, 2013. BPD Crime Laboratory officials obtained a no-cost extension for the 2011 award, therefore extending the 2011 award until March 31, 2014. As a result, the FY 2011 award project period overlapped with the FY 2012 award project period.

to reallocate amounts between various budget categories within the same award. No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount. We compared the actual amounts spent in each budget category to the budgeted amounts in the same categories. For cooperative agreement 2011-DN-BX-K463, the grantee adhered to the Financial Guide requirements. As of September 30, 2013, the grantee had not drawn down any funds on cooperative agreement 2012-DN-BX-0067.

Cooperative Agreement Expenditures

According to 2 C.F.R. § 225 *Cost Principles for State, Local, and Indian Tribal Governments*, costs are allowable if they are reasonable, consistently applied, adequately documented, comply with policies and procedures, and conform to any limitations or exclusions specified in applicable criteria. As of September 30, 2013, the award’s subsidiary accounting ledger reported \$476,615 in project costs associated with cooperative agreement number 2011-DN-BX-K463 and no costs associated with award 2012-DN-BX-0067. We tested \$178,012 (37 percent) of personnel costs including the associated fringe, overtime, equipment, travel, contracts, and other costs charged to the FY 2011 cooperative agreement, and determined that the reviewed expenses were allowable. These costs are provided in Exhibit 2.

Exhibit 2: SUMMARY OF COSTS COOPERATIVE AGREEMENT 2011-DN-BX-K463

Type of Cost	Total General Ledger Costs (\$)	Total Costs Tested (\$)	Questioned Costs (\$)
Personnel	241,147	47,883	0
Fringe Benefits	50,734	7,924	0
Overtime	68,126	7,067	0
Equipment	41,046	39,576	0
Travel	2,887	2,887	0
Contractual	70,125	70,125	0
Other	2,550	2,550	0
TOTAL	\$476,615	\$178,012	0

Source: City of Baltimore Police Department accounting records

Personnel Costs

The personnel costs of the cooperative agreement include the total salary and fringe benefits costs of three dedicated DNA Analysts, two dedicated evidence technician, and, on an as-needed basis, other laboratory analysts working overtime. To gain an understanding of the bi-weekly payroll process, we interviewed BPD management personnel and Crime Laboratory staff. Employees are required to complete attendance records and record all time worked and leave taken. Once the employees complete the attendance record they submit it to their supervisor for review. BPD Crime Laboratory personnel told us that after the attendance records are reviewed by the supervisor, they are batched and provided to the administrative staff for entry into the labor distribution system. The salary and fringe benefit payments for the employees exclusively dedicated to the grant

project are automatically generated each pay period based on the employee's payroll and work project information entered into the labor distribution system. The Director of the Crime Laboratory approves each attendance record before it is transferred for processing through a central payroll system. All BPD payrolls are processed through the City of Baltimore's central payroll system, which interfaces with BPD's financial management system, CityDynamics.

As needed, DNA analyst personnel working overtime on the award record their hours on an individual overtime report and charge the cooperative agreement for overtime hours plus the employer's share of FICA. Overtime pay is processed as time and a half beyond the employee's normal daily shift.

Salaries and Fringe Benefits

We tested the salary and fringe benefits of the five employees dedicated to the award during two non-consecutive pay months. We verified each employee's bi-weekly salary charged to the award to the bi-weekly calculation of each employee's salary based on payroll documentation. When BPD employees work on cooperative agreements, BPD incurs costs associated with providing its employees fringe benefits such as payroll taxes, health insurance, and pension plan contributions, which is allowable under the cooperative agreement. As part of our payroll testing, we recalculated payroll taxes, retirement plan contributions, and health insurance costs charged to the award based on the employee fringe benefits rates. Also, we conducted interviews with the five employees dedicated to the award, reviewed the general ledger, and confirmed these employees did not charge overtime to the grant. Overtime worked by these employees is paid from the City's budget and not charged to the grant. Overall, we found that each employee's salary and fringe benefits were accurately charged to the award, and the charges were supportable and allowable under the conditions of the award.

Overtime

Overtime is only allowable for employees not dedicated to the award. Specifically, overtime is charged to the grant by Crime Laboratory personnel other than those who would normally charge the award. In testing \$68,126 of the charges to the award for employees receiving overtime pay, we judgmentally selected the pay of seven DNA analyst employees who are not dedicated to the cooperative agreement, totaling \$7,067. Our tests included verifying the employees' regular pay rate and the associated employer portion of FICA. Additionally we tested three attributes of the overtime charges: (1) Do the overtime hours per the employee's timesheet equal the hours reported on the pay history, (2) Was the overtime timesheet approved by the supervisor, and (3) Was the salary and FICA correctly allocated to the payroll records. Based on our analysis, we take no exceptions to the overtime charges.

Travel and Other Costs

We tested 100 percent of transactions from the categories of Travel and Other Costs from cooperative agreement 2011-DN-BX-K463, totaling \$5,437, to determine if the charges were allowable and allocable to the award. Based on our testing, we determined that the sampled transactions were allowable.¹⁰

Equipment

The BPD Crime Laboratory used award funds to purchase 10 laboratory equipment items, totaling \$39,576. According to the OJP Financial Guide, property records must be maintained for equipment acquired under an award. Among other items, the award recipient must take a physical inventory of the equipment and reconcile the results with the property records at least once every 2 years.

BPD Property Unit maintains a property inventory system that reports all equipment purchased by the BPD Crime Laboratory. During our audit, the BPD Property Unit provided its policy manual to support its property management procedures, as well as an inventory report of equipment purchased with grant-funds. We determined that this manual requires a physical inspection of equipment and property records to be reconciled on an annual basis. However, we found that this policy was not enforced and the inventory report did not contain all of the Crime Laboratory's award-funded equipment, including three items valued at \$16,958 (1 freezer, a Sperm Hyliter, and a Power Protection System).¹¹ According to an official from the BPD Property Unit, the last full inventory was completed in 2008. This official also stated that the equipment items were not entered into BPD's property inventory system due to shortage of staff.

We also physically verified all 10 equipment items throughout the laboratory were tagged as federally funded and included the grant's accounting code. We confirmed that these equipment items existed and were being used as intended by the grantee.

We recommend that NIJ ensure that all grant-funded equipment is properly recorded and reconciled to a physical inventory at least once every 2 years in accordance with federal regulations.

¹⁰ We tested 1 transaction within the category of Other Costs totaling \$2,550 that was comprised of 12 DNA employees training workshop registration fees. Additionally, we tested 1 transaction within the category of Travel totaling \$2,887 that included costs for travel to a DNA identification training workshop for 2 DNA employees.

¹¹ We do not question the three property items as unallowable or unsupported costs because we physically verified their locations throughout the laboratory. We also determined that these items were approved in the award budget and they are being used as stated in the award's goals and objectives.

Monitoring of Consultants and Contractors

During our audit, we interviewed the BPD management personnel and reviewed award-related documentation, including the vendor service contract. Based on our review, we determined that NIJ approved for services to be provided by a consultant and an outside vendor service, totaling \$113,144. A review of the consultant agreement revealed that a serologist worked on a case-by-case basis, performed biological screening examinations of evidence, and identified evidence samples suitable for DNA testing for the BPD Crime Laboratory. We tested 100 percent of consultant expenses, totaling \$22,500 and determined that invoices submitted for reimbursement were accompanied by adequate supporting documentation with evidence that the expenses billed were actually incurred by the consultant.

Additionally, a review of the vendor service contract revealed that the BPD Crime Laboratory outsourced DNA laboratory work to Orchid Cellmark, Inc. We verified that as of September 30, 2013, \$47,625 in expenses charged to the grant were properly authorized, supported, and allowed under the cooperative agreement. Overall, BPD's management of funds and monitoring of the awards' consultant and vendor service contract was adequate to ensure compliance with award requirements.

Recommendations

We recommend that OJP:

1. Ensure that BPD complies with award requirements that require assets purchased with award funds to be physically inventoried at least once every 2 years, and ensure the department's official accountable property list contains all award-funded equipment items that should be included.

APPENDIX I

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this performance audit was to determine whether reimbursements claimed for costs under the cooperative agreement reviewed were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement. The objective of our audit was to review performance in the following areas: (1) internal control environment, (2) federal financial reports and progress reports, (3) drawdowns, (4) budget management and control, (5) expenditures, (6) contract management, (7) program income, and (8) program performance and accomplishments.

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

Our audit concentrated on cooperative agreement numbers 2011-DN-BX-K463 (\$669,143) and 2012-DN-BX-0067 (\$511,749) awarded to the City of Baltimore Police Department Crime Laboratory by the National Institute of Justice. The BPD Crime Laboratory uses these funds to process and analyze forensic DNA samples in order to reduce the number of forensic DNA cases awaiting analysis. We reviewed cooperative agreement activities and transactions beginning with inception of the award on October 1, 2011, through the end of September 30, 2013.

In conducting our audit, we performed judgmentally selected, non-statistical sample testing in those areas we deemed critical to the award requirements. Judgmental sampling design was applied to obtain broad exposure to numerous facets of the reimbursements reviewed. This non-statistical sample design does not allow projection of the test results to all payroll expenditures. Our sample testing was conducted in the following areas:

- **Drawdowns.** We analyzed BPD Crime Laboratory overall drawdowns of \$474,624 for the DOJ award from the date of award obligation, August 19, 2011, through August 6, 2013. The overall drawdowns did not exceed the total expenditures per the cooperative agreement's subsidiary accounting ledger.
- **Payroll.** We interviewed BPD award management personnel regarding the charging of personnel and fringe benefits costs to the cooperative agreement. To determine whether the cooperative agreement's labor and fringe benefits costs were supported and allowed, we judgmentally selected employees to test from two non-consecutive months of labor and fringe benefits charged to the award, during August 2012 and March 2013. We

tested personnel including fringe costs totaling \$55,807 out of \$291,881 charged to the cooperative agreement. We recalculated salary figures based on the BPD's payroll records of salaries and agreed fringe benefits rates. There were no exceptions noted in our testing, and the labor and fringe benefits costs charged to the cooperative agreement were supported and allowable.

- **Transactions.** To test the cooperative agreement's transactions for authorizations, approvals, and sufficient supporting documentation, we judgmentally selected 18 non-payroll transactions totaling \$116,607 out of \$476,615 charged to the cooperative agreement. We analyzed the transactions to determine if the costs were properly authorized, classified, recorded, and supported.
- **Contract Management.** We reviewed BPD's Crime Laboratory consultant agreement, outsource vendor service contract and interviewed BPD's management personnel.

In addition, we interviewed BPD officials regarding program income and determined the grantee did not incur any program income. Furthermore, we reviewed the timeliness and accuracy of financial status and progress reports and reviewed the internal controls for the cooperative agreement number 2011-DN-BX-K463. However, we did not test the reliability of the internal control procedures or the financial management system as a whole.

**BALTIMORE POLICE DEPARTMENT'S RESPONSE TO THE DRAFT
REPORT**



Stephanie Rawlings-Blake
Mayor



Anthony W. Batts
Police Commissioner

BALTIMORE POLICE DEPARTMENT

Troy M. Meyer
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1300 North 17th Street, Suite 3400
Arlington, VA 22209

April 11, 2014

Dear Mr. Meyer,

This letter is in response to the audit report for the grant numbers 2011-DN-BX-K463 and 2012-DN-BX-0067 awarded to the City of Baltimore's Police Department Crime Laboratory from the National Institute of Justice.

It was determined that the official accountable property record system of the Baltimore Police Department did not contain all equipment items purchased with grant funds; specifically the audit report also noted that the Crime Laboratory did not conduct a physical inventory of equipment purchased with federal funds as required by the grant. The auditors recommend that the department physically inventory assets purchased with award funds at least once every two years and create a process to ensure all grant-funded equipment items are added to the department's official property list in accordance with grant requirements.

The following is the Baltimore Police Department's response to the above-mentioned audit findings: After reviewing the findings, the Baltimore Police Department Crime Laboratory had taken a physical inventory of all equipment in the lab and the department is working on reconciling equipment to the official inventory system. In addition, the Property Section of the Baltimore Police Department is under new management, and with the change in leadership, procedures for adding equipment items to the inventory system have been improved to ensure the timely and accurate collection of information related to the department's equipment.

RESPONSE

The Crime Laboratory agrees with the finding that a physical inventory of equipment purchased with federal funds should be inventoried every two years. The Crime Laboratory also agrees with the finding that official property records did not contain all grant-funded equipment; however, the Crime Laboratory does not manage or maintain the department's property records system and cannot be held accountable for the timeliness of the data entered into the inventory system. The Property Section Commander has been notified of the finding and a process has been initiated to update the official inventory system.

c/o 242 West 29th Street • Baltimore, Maryland 21211-2908

IMPLEMENTATION PLAN

Going forward, the Property Section Commander (currently a Major) will oversee the inventory process for equipment in the department. The commander will oversee the maintenance of all records related to equipment purchases, including purchase orders and equipment receipts and will be overseeing those responsible for conducting inventory of all equipment yearly. These records will be added to the official property inventory list.

The current plan in place to ensure equipment is included in the department's property inventory official accountable property records system is:

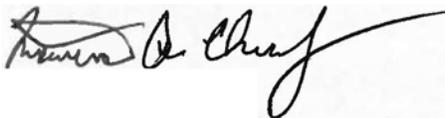
1. For all items with cost greater than \$100, once the lab receives the item, the Unit Supervisor or Technical Leader sends the Lab Quality Officer (or Deputy) the following information: description, make, model, serial number, location (usually denoted by a room number), monetary value, and whether the item was purchased with grant funds.
2. When the Quality Officer (or Deputy) receives this information, a Baltimore Police Department property sticker is issued and attached to the equipment.
3. All the information in steps 1 and 2 are included in a memo that is sent to the Baltimore Police Department's Property Section Commanding Officer or designee to be placed in the inventory system.
4. Ideally, this information would be entered into the system and a confirmation would be sent to the Laboratory Section.

To address this finding, the Crime Laboratory will implement a plan that makes the Unit Supervisor or Technical Leader accountable for confirming that equipment has been entered into the system, and that a confirmation has been received by the Laboratory Section and filed. Additionally, the Property Section Commander has initiated a new official inventory system process.

The Baltimore Police Department works hard to achieve efficiency. With new command leadership, many of the processes are being streamlined to achieve greater oversight.

If you have any questions, please contact me at 443-630-0083. We appreciate your assistance and direction.

Sincerely,



Francis Chiafar
Crime Laboratory Director
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NATIONAL INSTITUTE OF JUSTICE RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

April 17, 2014

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

FROM: /s/
LeToya A. Johnson
Acting Director

Response to the Draft Audit Report, *Audit of the National Institute of Justice Award to the City of Baltimore Police Department Crime Laboratory, Baltimore, Maryland, Cooperative Agreement Numbers 2011-DN-BX-K463 and 2012-DN-BX-0067*

This memorandum is in reference to your correspondence, dated March 21, 2014, transmitting the above-referenced draft audit report for the Baltimore Police Department (BPD). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **one** recommendations 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 recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP ensure that BPD complies with award requirements that require assets purchased with award funds to be physically inventoried at least once every two years, and ensure the department's official accountable property list contains all award-funded equipment items that should be included.**

OJP agrees with the recommendation. We will coordinate with BPD to obtain a copy of policies and procedures developed and implemented to ensure that property purchased with Federal funds is inventoried at least once every two years, and properly identified in the BPD's accountable property inventory records.

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
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APPENDIX IV

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

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the Baltimore Police Department Crime Laboratory (BPD). The OJP response is incorporated in Appendix III and the BPD response is incorporated in Appendix II of this final report.

The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation:

1. **Ensure that BPD complies with award requirements that require assets purchased with award funds to be physically inventoried at least once every 2 years, and ensure the department's official accountable property list contains all award-funded equipment items that should be included.**

Resolved. The OJP concurred with the recommendation and will coordinate with BPD to obtain a copy of policies and procedures developed and implemented to ensure that property purchased with federal funds is inventoried at least once every 2 years, and properly identified in the BPD's accountable property inventory records.

We can close this recommendation once we receive and review the policies and procedures developed to ensure that property purchased with federal funds is inventoried at least once every 2 years and properly identified in the BPD's accountable property inventory records.