

**Performance Audit:
Atlanta Police Department Grants**

August 2013

**City Auditor's Office
City of Atlanta**

File #13.01



CITY OF ATLANTA

City Auditor's Office
Leslie Ward, City Auditor
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August 2013

Why We Did This Audit

We undertook this audit because we found insufficient controls over grants management and lack of central oversight of grants management in the city during our audit work covering the federal recovery act grants.

What We Recommended

To ensure that property purchased with grant funds is protected from loss, the chief of police should:

- Ensure that grants management staff prepare inventory lists of grant-funded items as they are purchased. The lists should contain a description of the specific item, a serial or other identification number, the location of the item, and person to whom it is assigned.

To strengthen citywide grants management controls, the chief financial officer should:

- Develop a workflow in Oracle for grants accounting staff to review and approve grant requisitions prior to creation and payment of the related purchase orders, which will help to ensure that costs are allowable before grantee departments obligate funding.
- Develop a city procedure to work with departments during the grant application process to recover the citywide costs of administering grants, if allowable under the grant.
- Develop citywide procedures for closing grants, and ensure that completed grants are closed out in Oracle.

For more information regarding this report, please contact Stephanie Jackson at 404.330.6678 or sjackson@atlantaga.gov.

Performance Audit:

Atlanta Police Department Grants

What We Found

The police department has strengthened grants management since concerns were raised in previous audits. The department addressed concerns previously raised in city and federal audits by hiring new grants staff and developing policies and procedures. We reviewed the department's four grants with the largest amount of expenditures for fiscal year 2013 as of February 2013, which totaled \$2.8 million. The four grant files showed evidence of compliance with grantor requirements on spending, reporting, and monitoring. According to police department records, the department used the grant funds to hire 50 sworn officers; to purchase computer equipment, cameras and software, to support crime prevention programs; and to support officer overtime.

While the department has made improvements, it still did not meet inventory requirements. Police staff was unable to provide complete lists of items purchased with funds from active grants and locations of the items. Nine of the department's 20 current grants authorize police to purchase law enforcement related equipment.

The city has no central grants management process in place. Grants management activities in the city are split among individual grantee departments and offices within the finance department. Grants management is primarily the responsibility of the grantee department and central oversight of grant expenditures is weak. The decentralization of management poses risks of noncompliance and unallowable expenditures and requires control and process changes.

These risks could also cause the city to incur unexpected costs, miss grant or cost recovery opportunities, and prepare inaccurate financial records. Although finance is taking steps to reduce the risk of unallowable grant expenditures by making changes to the invoice approval workflow, the city is not using all of the capabilities available in Oracle to facilitate invoice review.

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1:	The chief of police should ensure that grants management staff prepare inventory lists of grant-funded items as they are purchased. The lists should contain a description of the specific item, a serial or other identification number, the location of the item, and person to whom it is assigned.	
Response & Proposed Action:	APD has hired a grants management analyst whose sole responsibility is to ensure compliance to all APD-related grants. Moving forward, all grant purchased inventory will be labeled with the authorizing grant, description of the specific item, serial or other identification number, cataloged (picture taken) and itemized (location and/or person identified as the user). The inventory of existing grants will be updated to reflect this newly implemented process.	Agree
Timeframe:	The inventory list process is effective immediately on all current and future APD grants. The fiscal unit expects to have existing grants inventoried under the new process no later than September 2013.	
Recommendation #2:	The chief financial officer should develop a workflow in Oracle for grants accounting staff to review and approve grant requisitions prior to creation and payment of the related purchase orders, which will help to ensure that costs are allowable before grantee departments obligate and spend the city's general funds.	
Response & Proposed Action:	The Department of Finance agrees that having central control over the approval of grant related requisitions could help reduce disallowable costs. As a mitigating control, Finance, Grants Accounting has coordinated with DIT to implement Oracle workflow whereby the grant accountants must approve invoices for payment. If an expenditure is not allowable for a particular grant award, the invoice is routed back to the originating department for payment from its operating budget.	Partially Agree
Timeframe:	Complete	
Recommendation #3:	The chief financial officer should develop a citywide procedure to work with departments during the grant application process to recover the citywide costs of administering grants, if allowable under the grant.	
Response & Proposed Action:	The Office of Grant Services will review all grant applications prior to submitting to the funding agencies and will work with departments during the grant application process to recover the citywide costs of administering grants, when allowable under the grant.	Agree
Timeframe:	2 nd Quarter, FY14	
Recommendation #4:	The chief financial officer should develop citywide procedures for grant closeout, and ensure that completed grants are closed out in Oracle.	
Response & Proposed Action:	Procedures of grant closeout are now defined in the Oracle PnG procedures manual. The Department of Finance is reviewing where responsibilities are in the grants post-award processes. Grants Accounting will be responsible for ensuring the grant award is closed within Oracle upon completion of the final report, required to be submitted, in most cases, within 90 days after the grant has ended. The last step is to "close" the grant in Oracle.	Agree
Timeframe:	2 nd Quarter, FY14	



CITY OF ATLANTA

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August 15, 2013

Honorable Mayor and Members of the City Council:

We undertook this audit of the Atlanta Police Department's grants because we found insufficient controls over grants management and lack of central oversight of grants management in our previous audit work on the federal recovery act grants. Also, previous city and federal audits identified issues with the police department's grants management.

The police department has strengthened grants management and addressed concerns previously raised by city and federal audits by hiring new grants staff and developing policies and procedures; however, police staff was unable to provide complete inventory lists for active or expired grants. Despite improvements within the police department, risks exist for grants management citywide; these risks could cause the city to incur unexpected costs, miss grant or cost recovery opportunities, and prepare inaccurate financial records. The city has no central grants management process in place, and responsibilities are split between grantee departments and the finance department. The decentralization of grants management poses risks and requires control and process changes.

Our recommendation to the police chief is to ensure that grants management staff prepare detailed inventory lists of grant-funded items as they are purchased. The police department agreed with our recommendation and plans to implement process changes to better track property purchased with grant funds. Our remaining three recommendations to the chief financial officer focus on strengthening citywide grants management controls. The finance department partially agreed with our recommendation to have grants accounting staff review and approve grant requisitions prior to the creation and payment of related purchase orders. The department instead plans to have grant accountants

approve invoices prior to payment. Although reviewing invoices prior to payment should reduce unallowable costs being charged to grant funds, unallowable expenses would then have to be absorbed by the general fund. If grant accountants review requisitions prior to departments obligating and spending funds on grant activities, the risks of both unallowable grant expenditures and unanticipated charges to the general fund could be managed sooner. Although the department agreed that having central control over the approval of grant-related requisitions could help reduce unallowable costs, staff responded that structural changes to centralize grants administration are needed prior to assuming full responsibility for compliance of grant-related expenses. The finance department agreed with our recommendations to work with departments to recover the citywide costs of administering grants where possible and to develop and implement procedures to close out completed grants. Both the police and finance department's responses are included in Appendix A.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Jamie Amos, Brad Garvey, and Stephanie Jackson.



Leslie Ward
City Auditor



Fred Williams
Audit Committee Chair

Atlanta Police Department Grants

Table of Contents

Introduction	1
Background.....	1
Grant Funds Make Up Six Percent of Fiscal Year 2013 Budget	5
Multiple Departments Manage Grants within the City.....	6
Prior Audits Raised Concerns About Grants Management.....	8
Audit Objectives	9
Scope and Methodology.....	9
Findings and Analysis	11
Police Strengthened Grants Management since Prior Reviews.....	11
Grant Files Reviewed Met Most Requirements And Addressed Most Previous Audit Findings.....	12
Inventory Requirements Still Not Met	15
Grants Management is Decentralized.....	16
Decentralization Poses Risks, Requires Control and Process Changes	17
Use of Technology Could Improve Processes	20
Recommendations.....	21
Appendices	23
Appendix A	
Management Response to Audit Recommendations	25

List of Exhibits

Exhibit 1 Police Department Grants as of February 2013	2
Exhibit 2 Police Department - 2013 Budgeted Amounts.....	5
Exhibit 3 Grants Management Process	6
Exhibit 4 Grants Payment Process.....	7
Exhibit 5 Elapsed Time for Availability of Grant Funds.....	18

Introduction

We conducted this performance audit of the Atlanta Police Department's grants pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the City Auditor's Office and outlines their primary duties. The Audit Committee reviewed our audit scope in March 2013.

A performance audit is an objective analysis of sufficient, appropriate evidence to assess the performance of an organization, program, activity, or function. Performance audits provide assurance or conclusions to help management and those charged with governance improve program performance and operations, reduce costs, facilitate decision-making and contribute to public accountability. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.¹

We undertook this audit because we found insufficient controls over grants management and lack of central oversight of grants management in the city in our previous audit work on the federal recovery act grants. Also, a recent external audit identified a significant deficiency regarding inconsistencies between the city's general ledger and financial reports submitted to federal agencies to support grants. A 2010 federal Department of Justice Office of Inspector General audit of the police department's Justice Assistance Grant cited a lack of adequately trained staff to manage grants, unallowable costs, and a lack of documentation showing progress toward meeting grant goals and objectives.

Background

The Atlanta Police Department receives funding for 20 grants as of February 2013. As shown in Exhibit 1, the department is the primary recipient of 13 grants and sub-recipient of 7 grants. These grants were primarily awarded to the city by federal agencies between 2009 and 2012; some of the funds consist of remaining 2009 federal recovery act funds (American Recovery and Reinvestment Act).

¹Comptroller General of the United States, *Government Auditing Standards*, Washington, DC: U.S. Government Accountability Office, 2011, p. 17-18.

Exhibit 1 Police Department Grants as of February 2013

Grant	Recipient Type	2013 Grant Budget	FY 2013 Expenses (as of February)	Award Start Date	Award End Date	Granting Agency
1. COPS (Community Oriented Policing Services) Hiring Recovery Program 2009	Primary	\$4,459,422	\$2,161,334	January 2009	December 2013	U.S. Department of Justice
2. FY 2011 JAG (Justice Assistance Grant)	Primary	\$829,420	\$423,316	October 2010	September 2014	U.S. Department of Justice
3. JAG (Justice Assistance Grant) Recovery 2009	Primary	\$425,428	\$351,399	March 2009	February 2013	U.S. Department of Justice
4. FY2010 Buffer Zone Protection Plan - BW#2636	Sub-recipient	\$190,000	\$171,186	June 2010	July 2013	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
5. FY 2012 JAG (Justice Assistance Grant)	Primary	\$629,277	\$157,319	October 2011	September 2013	U.S. Department of Justice
6. 2008 Video Integration Urban Area Security Initiative	Sub-recipient	\$115,000	\$115,000	February 2012	January 2013	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
7. FY2010 Buffer Zone Protection Plan - BW#2635	Sub-recipient	\$190,000	\$109,955	June 2010	July 2013	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
8. FY 2010 Airport Explosive Ordnance Disposal	Sub-recipient	\$267,439	\$52,061	August 2010	July 2013	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
9. COPS (Community Oriented Policing Services) 2012	Primary	\$1,875,000	\$0	December 2011	December 2014	U.S. Department of Justice
10. FY 2010 Regional Resiliency Assessment Program	Sub-recipient	\$1,250,000	\$0	June 2010	April 2013	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
11. CDBG (Community Development Block Grant) 2011	Primary	\$450,818	\$0	December 2010	March 2015	U.S. Department of Housing and Urban Development
12. CDBG (Community Development Block Grant) 2012	Primary	\$359,745	\$0	December 2011	December 2014	U.S. Department of Housing and Urban Development

Exhibit 1 Continued							
Grant	Recipient Type	2013 Grant Budget	FY 2013 Expenses (as of February)	Award Start Date	Award End Date	Granting Agency	
13.	2012 High Intensity Drug Trafficking Area	Primary	\$103,630	\$0	January 2012	December 2013	U.S. Department of Health and Human Services
14.	2011 High Intensity Drug Trafficking Area	Primary	\$97,579	\$0	January 2011	December 2013	U.S. Department of Health and Human Services
15.	2010 High Intensity Drug Trafficking Area	Primary	\$93,000	\$54,042	January 2010	June 2013	U.S. Department of Health and Human Services
16.	2012-2013 HEAT (Highway Enforcement Aggressive Traffic)	Primary	\$93,200	\$0	October 2012	September 2013	Georgia's Governor's Office
17.	FY 2011 Airport Explosive Ordnance Disposal	Sub-recipient	\$25,000	\$0	September 2011	April 2014	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
18.	FY 2011 SWAT (Special Weapons and Tactics)	Sub-recipient	\$25,000	\$0	September 2011	April 2014	U.S. Dept of Homeland Security through Georgia Emergency Management Agency
19.	2011 Bulletproof Vest	Primary	\$16,317	\$0	October 2011	December 2013	Governor's Criminal Justice Coordinating Council
20.	FY 2010 JAG (Justice Assistance Grant)	Primary	\$1,158	\$0	October 2009	September 2013	U.S. Department of Justice
TOTAL			\$11,496,433	\$3,595,612			

Source: Compiled by audit staff using Oracle, grant award documents, and information from the Atlanta Police Department.

These grants are intended to purchase police vehicles, computers, other equipment, fund crime prevention programs, address drug trafficking, coordinate emergency management, hire additional officers and to provide overtime.

COPS (Community Oriented Policing) Services Hiring Grant. The U.S. Department of Justice awards the COPS grants to hire officers to support community policing efforts. The city is the primary recipient of two active COPS grants.

Byrne JAG (Justice Assistance Grants). The U.S. Department of Justice awards JAG funds to support a broad range of activities to prevent and control crime based on state and local needs and conditions. The police department has four active JAG grants. The city is a primary recipient and Fulton County is a sub-recipient, except for the Recovery 2009 JAG grant, in which seven additional municipalities are also sub-recipients.

GEMA (Georgia Emergency Management Agency) grants. These grant funds are awarded to GEMA by the U.S. Department of Homeland Security. The funds are intended to build and enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies in accordance with the goals and objectives of the State Strategic Plan. The city is a sub-recipient of seven GEMA grants:

- FY 2010 Regional Resiliency Assessment Program
- FY 2010 Airport Explosive Ordnance Disposal
- FY 2010 Buffer Zone Protection Program - #2635
- FY 2010 Buffer Zone Protection Program - #2636
- 2008 Video Integration Urban Area Security Initiative
- FY 2011 Airport Explosive Ordnance Disposal
- FY 2011 Special Weapons and Tactics

CDBG (Community Development Block Grants). The U.S. Department of Housing and Urban Development funds a flexible program that provides communities with resources to address a wide range of community development needs. The city is a direct recipient of two CDBG grants intended to fund code compliance activities, which recently transferred to the police department from the city's Department of Planning and Community Development.

HIDTA (High Intensity Drug Trafficking Area). The White House Office of National Drug Control Policy provides funds to disrupt and dismantle violent and illegal drug trafficking organizations. Although the city is the primary recipient of three HIDTA grants, the city only receives administrative fees to track and process grant expenditures. The city applied for and administers the grants on behalf of the Atlanta HIDTA Task Force, which decides how to spend the money to achieve grant purposes.

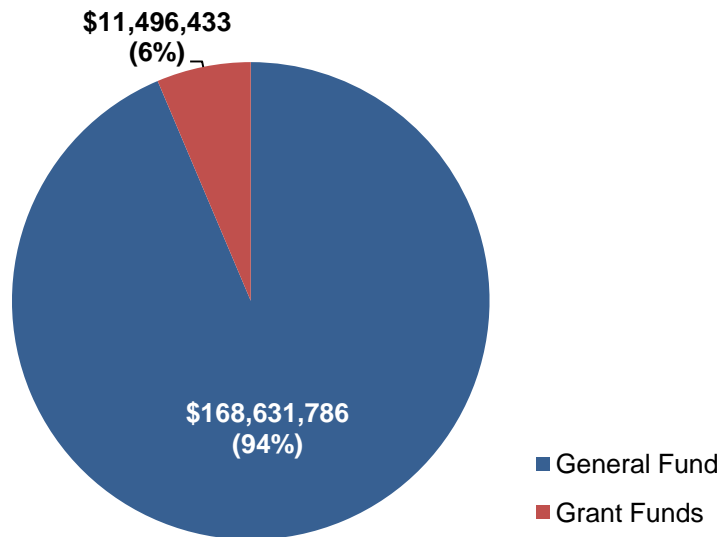
HEAT (Highway Enforcement Aggressive Traffic). The Georgia Governor's Office of Highway Safety provides funds to support enforcement of traffic laws, especially driving while intoxicated. The city is the primary recipient of one HEAT grant. HEAT grants require matching funds from the city.

Bulletproof Vest. The U.S. Department of Justice provides supplemental funding to state and local law enforcement to reduce the costs of bulletproof vests provided to sworn officers. The city is the primary recipient of one Bulletproof Vest grant.

Grant Funds Make Up Six Percent of Fiscal Year 2013 Budget

The police department's fiscal year 2013 budget totaled \$180 million, which included about \$168.6 million from the general fund and just under \$11.5 million in grant funds, as shown in Exhibit 2. The general fund supports the departments' general operational and administrative expenses, while grant funds are for specific purposes. The department's fiscal year 2013 expenses totaled \$102.7 million, which included \$3.6 million in grant expenses and \$99.2 million in general fund expenses, as of February 2013.

Exhibit 2 Police Department - 2013 Budgeted Amounts



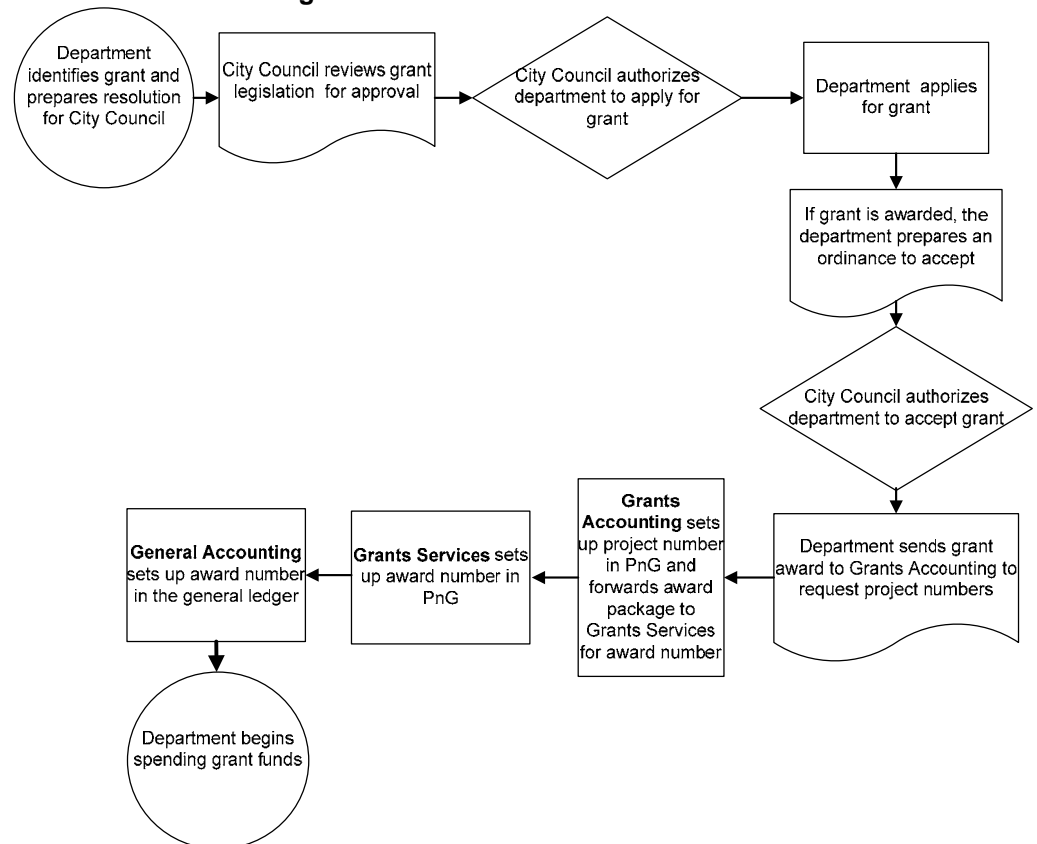
Source: Atlanta Police Department staff

The police department’s fiscal year 2011 budget included \$161.4 million from the general fund and \$18.6 million in grant funds; its fiscal year 2012 budget included \$163 million from the general fund and \$10.7 million in grant funds. Some grant funds are matched by the city and some have sub-recipients. The department has existing grants that continue in subsequent years, but also receives new grants each year.

Multiple Departments Manage Grants within the City

Grantee departments are primarily responsible for managing their own grants. Two offices within the Department of Finance – the Office of Grants Services and the Office of Grants Accounting – have roles in financial administration of all grants. The exhibit below outlines the grants management process for the city. The Office of Grants Services sets up the grant award number in Oracle and the Office of Grants Accounting assigns project numbers that grants will fund (see Exhibit 3). Financial information is recorded in the projects and grants (PnG) module in Oracle.

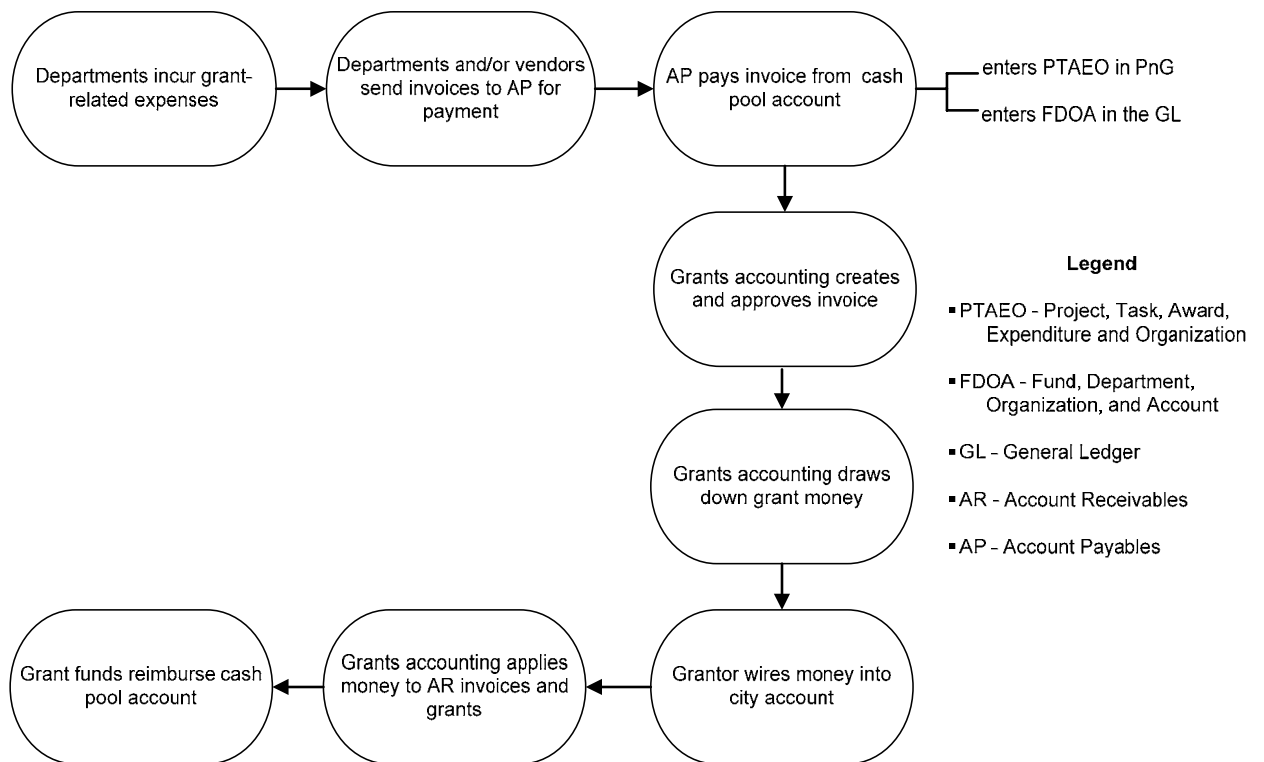
Exhibit 3 Grants Management Process



Source: Compiled by audit staff with information obtained from Atlanta Police Department and Department of Finance staff.

The grantee department purchases goods or services intended to fulfill the grant's purpose and then sends the invoice to accounts payable. Accounts payable staff pays the invoice from the city's cash pool account (a consolidated bank account that the city uses to cover citywide expenses) and posts the payment in the PnG module, which automatically updates the general ledger. Grants accounting staff creates a receivable and matches the receivable to the invoice and record of payment before drawing down grant funds to reimburse the cash pool (see Exhibit 4).

Exhibit 4 Grants Payment Process



Source: Compiled by audit staff with information obtained from Atlanta Police Department and Department of Finance staff.

Grants accounting staff also submits Financial Status Reports (FSRs) to grantors. The 2006 Federal Funding Accountability and Transparency Act (FFATA) requires recipients of federal funds to make available to the public the awards and expenses acquired with federal funds through a special website set up by the federal government.

The Office of Grants Services also has a grants management unit that manages the city's entitlement grants, such as the Community

Development Block Grants, Home Investment Partnership Program, and Social Services and Housing Opportunities for Persons Living with HIV/AIDS grants.

Prior Audits Raised Concerns About Grants Management

Prior city and federal audits identified problems with the city's grants management, citing lack of central oversight, lack of qualified staff to manage grants, and weak internal controls over financial records. Auditors also noted that the city failed to submit all required reports when due.

We previously recommended additional controls and more central oversight for grants. In our April 2011 *Assessment of Federal Recovery Act Grants Controls* audit, we found that additional controls were needed to address grant requirements and that future operational costs could pose a risk for the city. In our June 2010 *Aviation Grants Management Federal Recovery Act* audit, we recommended that the city strengthen central oversight of grant spending.

Federal auditors found that the police department lacked trained staff, submitted late or incorrect reports, had not submitted reports at all, and lacked procedures for monitoring sub-recipients. The U.S. Department of Justice Office of Inspector General cited in a July 2010 audit that lack of training, lack of standardized grant reporting, and inadequate tracking practices could result in mismanagement of grant projects and funds. The report recommended that the city submit accurate and timely reports and develop policies and procedures for monitoring sub-recipients. The federal auditors' scope covered seven JAG grants awarded to the city from 2006 through 2009, including the 2009 Recovery Act grant.

The city's 2011 "single audit" identified weak internal controls over financial reporting and noted discrepancies between spending reported to grantors and the city's general ledger. The audit found that the city had reported inaccurate disbursements on quarterly federal cash transactional reports. Auditors recommended that the city review and reconcile the reports to the general ledger before submission. The "single audit" is a standard audit required by federal law to provide assurance that recipients' use of federal funds complied with applicable laws and grant provisions; it is conducted annually as part of the annual outside audit.

Audit Objectives

This report addresses the following objectives:

- What are the roles of the Atlanta Police Department and the Department of Finance in tracking and reporting grant spending?
- How does the Atlanta Police Department track and report services provided, number of officers hired, equipment purchased, and outcomes achieved with grant funds?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We focused on the grants management process and systems within the city and used police grants as examples. We reviewed the policies and procedures of the finance and police departments as well as tracking systems in the city.

We reviewed information in Oracle on the 20 police department grants that were active as of February 2013. Of these 20 grants, we reviewed files of the four with the highest expenditures in fiscal year 2013 as of February 2013, which totaled approximately \$2.8 million dollars.

Our audit methods included:

- Reviewing the police department's grant policies and procedures and grant agreements
- Understanding the responsibility of the finance department for grants management
- Reviewing previous monitoring and audit report findings to identify risk areas
- Researching best practices for grants management
- Identifying the number of officers hired, types of services provided, equipment purchased, and funds spent during fiscal years 2011, 2012 and 2013
- Reviewing Atlanta City Council legislation related to police grants
- Interviewing staff in the finance department and grants management staff in the police department
- Reviewing grant information and capabilities in Oracle

- Examining the completeness of grant files in police and their adherence to grant reporting requirements

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Analysis

Police Strengthened Grants Management since Prior Reviews

The police department has strengthened grants management since concerns were raised in previous city and federal audits. The department has retained existing and added additional grants management staff and developed written procedures for grants management. We reviewed the department's four grants with the largest amount of expenditures for fiscal year 2013 as of February 2013, which totaled \$2.8 million. The four grant files showed evidence of compliance with grantor requirements on spending, reporting, and monitoring. Despite these improvements, the department had yet to complete inventory lists for equipment purchased with grant funds; therefore, we were unable to verify the location of these items. Federal guidelines require grantees to adequately protect property acquired with federal funds from loss, theft or damage. As a grantee, the department should maintain detailed inventory lists of items as they are purchased that contain the specific item, location, and person to whom it is assigned.

Grants management functions are split between grantee departments and the finance department; this decentralization poses risks. Grants management is primarily the responsibility of the grantee department and central oversight of grant expenditures is weak. Police department staff obligates grant funds before grant accountants within finance review the invoices to ensure that the costs are allowable. Also, police department staff do not consider the needs of other departments, such as finance, when seeking recovery of grant-related administrative expenses. Additionally, in some cases the available grant balance in Oracle's projects and grants module did not match the available balance on the general ledger. Such variances create a risk that the department could over or underspend the grant amount, or report inaccurate financial information. Finance staff has recently begun reconciling the two modules. Further, grants are not closed out in the city's Oracle system once grants activities are completed, which requires coordination between police and finance staff.

These risks could cause the city to incur unexpected costs, miss grant or cost recovery opportunities, and prepare inaccurate financial records. Although finance is taking steps to reduce the risk of unallowable grant expenditures by making changes to the invoice approval workflow, the

new process appears not to resolve all problems, and the police department and finance are not using the full capabilities in Oracle to facilitate invoice review. The city recently began implementing the eCivis system, intended to centralize grant identification and application.

We recommend the finance department review grant requisitions prior to creation and payment of the related purchase orders, which will help to ensure that costs are allowable before the police and other departments obligate and spend grant funds. We also recommend that the finance department work with grantee departments during the grant application process to recover the citywide costs of administering grants if allowable under the grant. We also recommend that finance work with police to develop procedures for grant closeout and finance should closeout completed grants in Oracle.

Grant Files Reviewed Met Most Requirements And Addressed Most Previous Audit Findings

The police department's grant records appeared to be reasonably complete and indicated compliance with grantor requirements related to grant spending, reporting, and monitoring. Invoices for the grants we reviewed appeared consistent with the purpose of the grants, and external reviews noted no unallowable expenses. The city submitted the required financial and programmatic reports to grantors by the deadlines. The police department also addressed concerns raised in previous audits related to insufficiency of grants management staffing and lack of procedures. The department hired additional grants management staff and developed policies and procedures for managing its grants. We reviewed four of the department's grants with the highest expenditures during fiscal year 2013 as of February, which totaled \$2.8 million.

Expenditures appeared consistent with the purpose of the grants.

The invoices we reviewed for the four grants documented that grant funds were spent on eligible activities. The city is responsible for reimbursing any costs to the grantor that are not allowable under the grant terms from the general fund.

The U.S. Department of Justice awarded the police department \$11.2 million under the 2009 COPS grant to allow the police department to hire 50 police officers over a three-year period for community policing efforts. The police department's files contained documentation showing that it hired 50 sworn officers and reported that the officers are participating in community-oriented policing activities.

Under the 2010 Buffer Zone Protection Program grant, the department was awarded \$1.3 million to purchase cameras, software, storage units, card readers and transmission devices to prevent and protect against and respond to terrorist attacks, major disasters and other emergencies. It was also awarded \$115,000 to purchase computer equipment, software, and cameras under the fiscal year 2008 Video Integration grant. The police department is a sub-recipient of GEMA (Georgia Emergency Management Agency), which is the primary recipient of both of these grants, awarded by the Department of Homeland Security. We reviewed invoices showing that the police department purchased equipment allowed under these grants.

The last of the four grants we reviewed was the fiscal year 2011 Justice Assistance Grant, awarded to the department by the U.S. Department of Justice. It provided \$829,420 to support law enforcement and crime prevention programs, provide overtime and purchase surveillance equipment. At the time we reviewed the invoices, the police department had spent grant funds on officer overtime only, which is allowable under the grant.

The department submitted required reports to grantors. We reviewed documentation for the four grants to assess whether the police department submitted financial and programmatic reports as required by the grantors. The department submitted quarterly financial and performance reports for the COPS grant, and quarterly financial reports and annual performance reports for the JAG grants. It also submitted quarterly financial status reports for the GEMA grants, as required under the grant agreements.

Grantor monitoring reviews identified no problems. We also reviewed whether grantors conducted site visits or audits for any of the grants. Federal grantors had conducted site visits for only the COPS and JAG grants during the grant period, and noted no instances of noncompliance during the reviews. Grant terms state that the grantee may be subject to monitoring reviews or audits. None of the four grants had yet been audited by the grantor.

Grant improvements address concerns from previous audits. Previous city and federal audits identified issues with the police department's grants management staff and processes. The department has since addressed these concerns by hiring new grants staff and developing policies and procedures.

A federal audit of the department's JAG grant found that the police department did not have adequate staff with the training and experience

to properly manage the grants and had no procedures for monitoring sub-recipients of grant funds. The U.S. Department of Justice's Office of the Inspector General completed the audit in July 2010. The audit scope covered seven JAG grants awarded to the city from 2006 through 2009, including the 2009 Recovery Act grant.

Since the audit, the police department has retained existing grants management staff as well as hired additional staff. At the time of the audit, the department had one grants management analyst and one senior budget analyst. The department has since hired a new grants management analyst and senior budget manager, as well as added an additional contracts coordinator. The grants management analyst position is fully funded by JAG grant funds.

- The senior budget manager oversees compliance with the financial requirements of all grants.
- The grants management analyst is responsible for complying with the financial requirements of the police department's grants, including compiling, reconciling, and maintaining written and electronic records for potential audits, and submitting progress reports to the grantors in accordance with the grant reporting requirements.
- The contracts coordinator is responsible for complying with the financial requirements of the High Intensity Drug Trafficking Area (HIDTA) grant only; this position is fully funded by the grant.

All of the grants staff report directly to the department's business manager. Individual project coordinators are responsible for managing grants at the program level and complying with grant performance requirements. They are also responsible for providing grant-required reports to the grants management analyst. Police department staff designate project coordinators based on the program areas covered by the grants.

The department also developed policies and procedures for monitoring grants, including sub-recipients. The procedures identify staff responsibilities for managing programmatic as well as financial aspects of the grants.

Our April 2011 performance audit, *Assessment of Federal Recovery Act Grants Controls*, also noted that the city must cover increased operating costs once the recovery act funding is over. Under the COPS grant, the

city must retain the hired officers for 12 months, beginning at the end of the three-year grant period, and pay for those salaries from local funds. To cover the cost of salary and benefits for the 50 sworn officers hired with COPS funds, the department requested \$3.1 million in its fiscal year 2014 budget. This amounts to approximately \$63,000 annually per officer.

Inventory Requirements Still Not Met

Although 9 of the police department's 20 active grants authorized equipment purchases, staff was unable to provide us with inventory lists for the items purchased that included the specific location and the person to whom the item is assigned. A 2010 federal audit questioned about \$3,000 in grant spending for a piece of equipment that the department was unable to locate at the time of the audit. Police grants management staff told us that they compile inventory lists when they close out the grants. Federal guidance requires that property acquired with federal funds be adequately protected from loss. As a grantee of federal funds, the department should prepare inventory lists of items as they are purchased, that contain a description of the specific item, a serial or other identification number, the location of the item, and person to whom it is assigned.

Police staff was unable to provide complete inventory lists for active grants. Nine of the department's 20 current grants authorize police to purchase law enforcement related equipment; however, police department staff was unable to provide us with complete inventory lists for the equipment purchased. They later provided us with partially complete inventories of items purchased with two BZPP grants, both awarded in 2010. The items that the department purchased under the grants included equipment to detect explosives and traffic control barricades. Although the items were listed on the inventory, they did not include the specific location of the items, nor the person to whom the equipment was assigned. Staff was unable to provide lists for any of the other grants for which they purchased equipment.

Police department staff told us that they compile inventory lists at the completion of the grants; however, staff was also unable to provide us with inventories for any of the expired grants.

A 2010 federal audit found that the police department was unable to locate a piece of equipment. The U.S. Department of Justice's Office of the Inspector General audited a number of the police department's JAG grants in July 2010. The auditors selected 19 property items purchased with grant funds valued at \$81,758 to confirm location and

that the items were being used for grant purposes. They found that the police department was unable to locate an item used to enforce the speed limit, valued at \$2,975. The audit recommended that the city provide documentation showing it had custody of the item or repay its cost. The audit cited the Office of Justice Programs Financial Guide, Part III, Chapter 6, which states that property acquired with federal funds should be adequately protected from loss. Specific grant terms contain slightly varying guidelines for tracking items purchased with grant funds, and tracking requirements also vary in accordance with the value of the property. However, federal guidance is consistent in requiring that property purchased with grant funds should be safeguarded and tracked, and further indicates that grantees should track equipment in a manner that not only safeguards the property, but also facilitates grantees' own audit processes, as well as any federal audits and monitoring visits.

Police department staff was eventually able to locate the item and avoid repaying the cost. Staff told us that they plan to change their process going forward to prepare inventory lists of items as they are purchased, containing a description of the specific item, a serial or other identification number, the location of the item, and person to whom it is assigned.

Grants Management is Decentralized

The city has no central grants management process in place. Grants management activities in the city are split between individual grantee departments and offices within the finance department. Each department is responsible for identifying and applying for grants, as well as managing the grants and submitting performance reports to grantors. The city's finance department supports grantee departments by making grant funding available in the city's financial system, paying invoices, drawing down grant funds, and submitting required federal financial status reports to grantors. Finance department staff is also responsible for closing out grants in the city's financial system once grant activities are completed.

Grants are primarily managed at the departmental level. Individual departments identify grant opportunities and request City Council authorization to apply for and receive grant funds. If a grant is awarded, departments manage the grant-funded activities and submit requisitions, purchase orders, and invoices to request reimbursement for purchases. Individual departments are also responsible for preparing and submitting programmatic progress reports to grantors and facilitating site visits,

monitoring reviews, or audits conducted by grantor agencies and responding to any audit issues identified.

The finance department facilitates financial tracking and monitoring. The Offices of Grants Services and Grants Accounting, both within the city's Department of Finance, support grantee departments by making grant funds available in the city's financial system and drawing down funds from the grantor once the invoices are paid, as shown in Exhibits 3 and 4 on pages 6-7. After the grantee department submits invoices to accounts payable to be paid, grants accounting staff review the invoices to ensure that grant funds are available and the correct grant accounts are charged for the expenses. If a grant is billable, as are all police departments grants, grants accounting staff draws down the grant funds on a reimbursement basis; the city does not receive all grant funds at the time the grant is awarded. During the grant period, grants accounting staff also submit quarterly federal financial status reports to grantors; department staff submit non-federal financial reports as well as all programmatic progress reports directly. Grants services staff is responsible for closing out grants in the city's financial system once the grant activities are completed and all grant expenses have been paid.

Decentralization Poses Risks, Requires Control and Process Changes

The decentralization of grants management activities presents risks that could cause the city to incur unexpected costs, miss grant or cost recovery opportunities, and prepare inaccurate financial records. Our review of police grants identified opportunities for these risks to occur.

Police could miss grant opportunities. Because individual departments are responsible for identifying grant opportunities, departments may miss potential opportunities for additional grant funds. Most of the police department's grants are reoccurring; additional opportunities may exist. The city began implementing eCivis, a citywide grants management system, in April 2013. The system is intended to centralize grants identification, application and tracking. It is managed by grants services, and may help to identify additional grant opportunities citywide.

Police department staff does not consider the needs of other departments when seeking recovery of grant-related administrative expenses. Although some of the police department's grants allow the department to use a portion of its grant funds to pay for costs related to administering the grant, the department does not always apply to use the allowance, and does not consider administrative needs outside of the department. For example, the department's 2011 JAG grant allows up

to 10% of grant funds to be used for administrative expenses, but the department did not apply for administrative cost recovery because funds were still available from the 2009 JAG grant to cover the department's grants management analyst position. The grant's funds could have been used to defray a portion of the cost for other staff with administrative duties related to that grant, such as grants accounting staff, provided that the city complied with federal guidelines for allocating these costs.

Grant funds are not immediately available when awarded. For the four grants that we reviewed in detail, it took from four months to almost two years after the grants were awarded for funds to be available, as shown in Exhibit 5. Departments must obtain City Council approval to apply for a grant, through a resolution. Once the grantor awards the grant, the city must then formally accept the grant and City Council must approve the acceptance through an ordinance. In order to spend grant funds, the finance department must make sure that the grants are budgeted in Oracle's projects and grants module so that expenses can be charged to the appropriate grant and project - this is the funding date.

The police department requested extensions for all of the grants except the JAG grant. The extensions ranged from two to six months, and allowed for the city to complete spending and drawdown of grant funds.

Exhibit 5 Elapsed Time for Availability of Grant Funds

Grant	Award Date	Resolution Date	Acceptance Date	Ordinance Date	Funding Date	Award End Date	Award Start to Funding Date	Acceptance to Funding Date
JAG 2011	10/1/10	7/18/11	9/6/11	11/21/11	9/8/11	9/30/14	11 months	2 days
COPS 2009	1/1/09	4/21/08	8/10/09	10/19/09	12/10/09	12/31/13	11 months	4 months
2010 BZPP	6/1/10	N/A	9/9/11	12/5/11	2/9/12	7/31/13	1 year, 8 months	5 months
2008 UASI (GEMA)	2/20/12	N/A	3/1/12	5/21/12	6/8/12	2/28/13	4 months	3 months

Source: Compiled by audit staff using grant award documents, city legislation, and Oracle information.

Departments obligate funds before grants accounting staff review expenses for compliance. Currently, accounts payable staff pay grant-related invoices and grants accounting staff then review payments to ensure that grant funds are available. The finance department is restructuring the workflow to require grants accounting staff to review all invoices for compliance and confirm that funds are available prior to

payment. The expected turnaround time for grants accounting's review of invoices is 48 hours. Grantee departments have primary responsibility for ensuring that expenses are allowable. Grantee departments spend city funds to cover grant-related expenses, which are reimbursed when grants accounting draws down grant funds. Grants accounting's review would provide greater oversight of grant-related expenses and function as a control to prevent unallowable expenses from being charged to the grant; however it does not mitigate risk to the city because any unallowable costs must be absorbed by the city's general fund. We recommend that grants accounting staff review the initial requisitions before goods or services are purchased in order to ensure that operating departments do not obligate general funds before grants accounting has reviewed the planned expenses for compliance with grant terms. The city's Department of Information Technology staff told us that Oracle could accommodate this type of process change.

Available grant funds balances in Oracle differ among modules. In 9 of the 20 grants within our scope, the available grant balance in Oracle's projects and grants module did not match the available balance on the general ledger, as of April 2013. Such variances pose risk that the department could over or underspend the grant amount, or report incorrect financial information. Grants accounting staff have recently begun reconciling the two modules monthly.

Grants accounting staff told us one of the reasons for discrepancies between the modules is because the grant budget is incorrectly loaded at the beginning of the fiscal year. If the grant budget is loaded incorrectly, and is higher than the remaining balance on the grant, there is a risk that departments could overspend the grant balance if the modules are not reconciled before the expenses are paid. Variances could also occur between the two modules for the following reasons:

- accounts payable staff post charges directly to the general ledger instead of the projects and grants module
- general accounting staff posts journal entries to adjust the general ledger but not the projects and grants module
- human resources staff make adjustments in Oracle's labor distribution module for grant-funded staff

Grants are not closed in Oracle after grant activities have concluded and the award end date has passed. Although grants services staff is responsible for closing grants in Oracle once activities have concluded and all expenses have been paid, Oracle shows expired police grants as being active in the city's financial system. As a result, it is difficult to identify the city's active grants population.

According to the finance department's procedures, grants services is responsible for closing out grants; however, the procedures do not specify how this process will take place. According to grants services, grantee departments must notify grants services staff that the grants are ready to be closed out. Police department staff told us that they send e-mails to grant accountants to let them know that the grant activities have concluded, but this practice is informal and inconsistent. **We recommend** that the finance department develop citywide policies and procedures for grant closeout, and ensure that it closes out completed grants in Oracle.

Use of Technology Could Improve Processes

The city is not using all of the capabilities available in Oracle, which would help to facilitate the review of grant expenses. The city's financial system allows documents, such as grant award letters and legislation, to be loaded into a separate imaging system that is directly accessible from Oracle. Grantee departments must send these documents to grants services to set up the grant in Oracle. Grants accounting needs to have access to grant terms and conditions to ensure that expenses are allowable. Finance staff is able to make these documents accessible from Oracle, but currently do so inconsistently. **We recommend** that the finance department consistently make these documents available in Oracle to facilitate grants related financial tracking and monitoring.

Recommendations

To ensure that property purchased with grant funds is protected from loss, the chief of police should:

1. Ensure that grants management staff prepare inventory lists of grant-funded items as they are purchased. The lists should contain a description of the specific item, a serial or other identification number, the location of the item, and person to whom it is assigned.

To strengthen citywide grants management controls, the chief financial officer should:

2. Develop a workflow in Oracle for grants accounting staff to review and approve grant requisitions prior to creation and payment of the related purchase orders, which will help to ensure that costs are allowable before grantee departments obligate and spend the city's general funds.
3. Develop a citywide procedure to work with departments during the grant application process to recover the citywide costs of administering grants, if allowable under the grant.
4. Develop citywide procedures for grant closeout, and ensure that completed grants are closed out in Oracle.

Appendices

Appendix A
Management Response to Audit Recommendations

Report # 13.01	Report Title: Atlanta Police Department Grants	Date: 6/27/13
Recommendation Response – Chief of Police		
Rec. #1	The chief of police should ensure that grants management staff prepare inventory lists of grant-funded items as they are purchased. The lists should contain a description of the specific item, a serial or other identification number, the location of the item, and person to whom it is assigned.	Agree
<u>Proposed Action:</u>	The Atlanta Police Department (APD) has taken action to ensure that its grant funded inventory is maintained and processed within the guidelines of the Department of Finance. APD has hired a Grants Management Analyst whose sole responsibility is to ensure compliance to all APD-related grants. Moving forward, all grant purchased inventory will be labeled with the authorizing grant, description of the specific item, serial or other identification number, cataloged (picture taken) and itemized (location and/or person identified as the user). This information will be kept in the related grant file and maintained by the Grants Management Analyst. The inventory of existing grants will be updated to reflect this newly implemented process.	
<u>Implementation Timeframe:</u>	The inventory list process is effective immediately on all current and future APD grants. The Fiscal Unit expects to have existing grants inventoried under the new process no later than September 2013.	
<u>Responsible Person:</u>	The APD Budget Manager and Grants Management Analyst will be completing this task.	

Report # 13.01

Report Title: Atlanta Police Department Grants

Date: 7/31/13

Recommendation Responses – Chief Financial Officer

Rec. #2	The chief financial officer should develop a workflow in Oracle for grants accounting staff to review and approve grant requisitions prior to creation and payment of the related purchase orders, which will help to ensure that costs are allowable before grantee departments obligate and spend the city's general funds.	Partially Agree
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<u>Proposed Action:</u>	<p>The Department of Finance (Finance) agrees that having central control over the approval of grant related requisitions could help reduce disallowable costs. However, there is little evidence that disallowed costs are a pervasive problem for the City. In reviewing the last five A-133 Single Audit reports, there were only two questioned costs mentioned but neither would have been prevented by central approval of requisitions. Additionally, a large number of grant requisitions are related to service grants which would require invoice level detail to approve. <u>Finance recognizes that structural changes to centralize grants administration would reduce risks for the City. However, until those changes are implemented, Finance is not in a position to assume full responsibility for the compliance of all grant related expenditures.</u></p> <p>As a mitigating control, Finance, Grants Accounting has coordinated with DIT to implement Oracle workflow whereby the grant accountants must approve invoices for payment. Departments are instructed to provide a copy of the invoice to the grant accountants prior to submission to AP. The payment will be released once goods are received in Oracle by the Department and the workflow approval from grants accounting is entered. If an expenditure is deemed not allowable for a particular grant award, the invoice is routed back to the originating department for payment from its operating budget.</p>
<u>Implementation Timeframe:</u>	Complete
<u>Responsible Person:</u>	Jim Beard

Rec. #3	The chief financial officer should develop a citywide procedure to work with departments during the grant application process to recover the citywide costs of administering grants, if allowable under the grant.	Agree
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<u>Proposed Action:</u>	<p>The Office of Grant Services will review all grant applications prior to submitting to the funding agencies and will work with departments during the grant application process to recover allowable citywide administrative costs associate with administering grants, when allowed under the grant.</p>
<u>Implementation Timeframe:</u>	2 nd quarter, FY14
<u>Responsible Person:</u>	Jim Beard

Rec. #4	The chief financial officer should develop citywide procedures for grant closeout, and ensure that completed grants are closed out in Oracle.	Agree
<p><u>Proposed Action:</u></p> <p><u>Implementation Timeframe:</u></p> <p><u>Responsible Person:</u></p>	<p>Procedures of grant closeout are now defined in the Oracle PnG procedures manual. The Department of Finance is reviewing where responsibilities are in the grants post-award processes. Grants Accounting will be responsible to ensure the grant award is closed within Oracle upon completion of the final report required to be submitted, in most cases, within 90 days after the grant has ended. The last step is “close” the grant in Oracle.</p> <p>2nd quarter, FY14</p> <p>Jim Beard</p>	

