

13-C-5020

First Reading

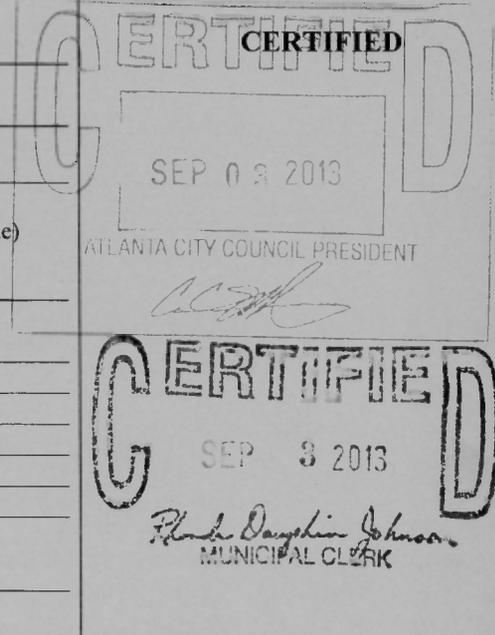
Committee _____
 Date _____
 Chair Michelle Spivey
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FINAL COUNCIL ACTION
 2nd 1st & 2nd 3rd
Readings
 Consent V Vote RC Vote

A COMMUNICATION BY CITY AUDITOR
 LESLIE WARD SUBMITTING A
 PERFORMANCE AUDIT REPORT
 REGARDING THE ATLANTA POLICE
 DEPARTMENT GRANTS.

PSLA Committee
 Date 8/27/13
 Chair _____
 Action
 Fav, Adv, Hold (see rev. side)
File Other
 Members
[Signatures]
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Committee _____
 Date _____
 Chair _____
 Action
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 Other _____
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 9/3/13

- CONSENT REFER
 - REGULAR REPORT REFER
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 - 1ST ADOPT 2ND READ & REFER
 - Communication PERSONAL PAPER REFER
- Date Referred: August 19, 2013
 Referred To: Finance/Exec
 Date Referred: _____
 Referred To: Public Safety & Legal Admin
 Date Referred: _____
 Referred To: _____

WHS
 DRCA

Committee

Date

Chair

Action
 Fav, Adv, Hold (see rev. side)
 Other _____

Members

Refer To

Committee

Date

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Action
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Members

Refer To

MAYOR'S ACTION

RCS# 2990
9/03/13
2:21 PM

Atlanta City Council

13-C-5020

CITY AUDITOR TO SUBMIT A PERFORMANCE
REPORT; APD GRANTS
FILE

YEAS: 14
NAYS: 0
ABSTENTIONS: 0
NOT VOTING: 1
EXCUSED: 0
ABSENT 1

Y Smith	Y Archibong	Y Moore	B Bond
Y Hall	Y Wan	Y Martin	Y Watson
Y Young	Y Shook	Y Bottoms	Y Willis
Y Winslow	Y Adrean	Y Sheperd	NV Mitchell

13-C-5020

A COMMUNICATION BY CITY AUDITOR LESLIE E. WARD SUBMITTING A PERFORMANCE AUDIT REPORT REGARDING THE ATLANTA POLICE DEPARTMENT'S GRANTS OF INSUFFICIENT CONTROLS OVER GRANTS MANAGEMENT AND LACK OF CENTRAL OVERSIGHT OF GRANTS MANAGEMENT IN REGARDS TO THE FEDERAL RECOVERY ACT GRANTS.

13-C-5020



CITY OF ATLANTA

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Ex-Officio: Mayor Kasim Reed

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

**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
404.330.6452

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	

Atlanta Police Department Grants

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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.