



FULTON COUNTY

**FULTON COUNTY, GEORGIA
OFFICE OF INTERNAL AUDIT**

SECOND CHANCE GRANT AUDIT REPORT

October 3, 2013

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Introduction

The Office of Internal Audit performed an audit to examine the financial and programmatic reporting of the Second Chance Grant. The audit was conducted at the request of Superior Court. The audit targeted the quarterly reports and the performance metrics of the grant.

Background

The Second Chance Reentry initiative provides grants for states and local governments to create programs that assist ex-offenders in successfully integrating back into their communities in an effort to reduce recidivism and violations of parole. They include activities such as counseling, training, substance abuse treatment, family programming, mentoring, education and job placement.

On June 3, 2009, the Fulton County Board of Commissioners (BOC) passed a resolution approving the creation of a Reentry Task Force. The task force was created to examine ways to pool resources and funding streams to promote lower recidivism, collect data on best practices, and develop a reentry strategic plan to aid in the development of a Reentry Demonstration Project under the Second Chance Act in Fulton County. The BOC also approved for the Chair of the BOC to work with the stakeholders to determine the size and members of the Task Force and to provide a quarterly report to the BOC on the progress of the Task Force.

Fulton County received \$749,733 in grant funding in 2010 (2010-CZ-BX-0104) and \$749,772 in 2011 (2011-CZ-BX-0052) from the Department of Justice to institute a Second Chance Reentry Demonstration Program. The program operated under the County Manager's Office for two years and was later transitioned to the Sheriff's Office. The program managers for this project were Erika Marshall-Story, County Manager's Office (February 2011-November 2012), and Chief Mark Adger, Sheriff's Office (November 2012-March 2013); the budgetary information for the grant was under the purview of Health and Human Services. Fulton County has been moving forward with a comprehensive, coordinated effort to address substance abuse, mental illness, housing healthcare needs, education, and unemployment needs among Fulton County's offenders. These are critical issues that must be addressed for successful reentry of transitioning inmates. Fulton County's Offender Reentry Task Force has developed a comprehensive strategy aimed at reaching the following goals:

- Reduce recidivism within the target population by 50% over 5 years.
- Reduce the crime rate in the target geographic population.

Fulton County has focused its pilot efforts in a demonstration project that will serve 40 individuals annually, with a total of 80 individuals in the two year awarded grant periods. The Second Chance Act Demonstration Project ("SCA Project") expanded beyond the original 30318 zip code area and targeted offenders in Fulton County who were identified to be at a "high risk to re-offend" as determined by a fourth generation risk assessment tool. Within the population of high-risk offenders, those with the following characteristics and demographics were targeted for inclusion:

- Male, younger repeat offenders (20-34)
- State probation violators
- Offenders who are the parents of children known to the Fulton County Juvenile Court
- Non-English speakers
- Substance abuse
- Mental illness
- Victims of personal trauma

The Demonstration project will be accomplished through the implementation of objectives and action steps organized into strategic focus areas:

- Project Planning & Development
- Project Implementation
- Project Evaluation
- Public Awareness/Community Engagement
- Sustainability

Objective

The objectives of our audit were to determine if the grant expenditures were allowable, if 40 high risk or re-offend individuals were program participants on an annual basis, and if recidivism in the target population was reduced.

Scope

The audit period covered by this review is October 10, 2010 through March 31, 2013.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. During our audit of the Second Chance Grant, we interviewed key personnel to identify significant tasks and processes related to the program. In addition, we documented the process flow, inspected the evaluator records, and performed audit testing on a sample basis. We examined the following items:

- Quarterly Reports
- External Evaluator Reports
- Receipts and Supporting Documentations

Generally Accepted Government Auditing Standards require that we plan and perform the audit to obtain sufficient and 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 Recommendations**Finding 1 – Failure to Meet Program Participatory Goals**

As a condition of the grant agreement, Fulton County agreed to serve 40 offenders under the 2010 Second Chance Grant. The County was approved for a 2011 grant and also agreed to serve an additional 40 male offenders. The program was slated to operate from the renovated Marietta Street facility, which could hold 80 beds. Renovations for the Marietta Street facility had a projected completion date of April 27, 2012. In the interim, the program was housed in the Fulton County Rice Street jail. The jail pod only held 27 offenders. According to the Bureau of Justice Assistance Grants Management Report, as of December 31, 2012, there were a total of 34 clients who had been placed in the Fulton County Second Chance Reentry Demonstration Project. According to Second Chance grant managers, delays with renovations and staffing availability were the causes of the program being unable to meet the participatory goal of 40 clients by December 15, 2012. As a result of not meeting the participatory goal, Second Chance Grant management requested an extension of the grant through February 28, 2013.

According to the Department of Justice, failure of the County to fulfill its requirement to serve 80 male offenders with these two federal grants could have the effect of the County being deemed “high risk.” The adverse consequences of being deemed “high risk” could include the following:

- Terminating existing grant awards
- Declining to award new or renewal grant funds
- Repaying grant funds already spent (in-full or in-part)
- Subjecting the County to the special conditions in 28 C.F.R. § 66.12

Recommendations

Due to facility renovations, the grant administration should be closely monitored and any material changes affecting performance under the terms of the grant should be discussed with the respective representative so that the terms of the grant can be modified, i.e. the requirement to service 80 male offenders.

Finding 2 – Failure to Disclose Accurate Information on the Grants Management System Report (GMS)

Fulton County did not fulfill the requirement of serving 40 individuals under the 2010 Second Chance Grant; however, it was reflected on the Grants Management System Report (GMS) submitted on March 12, 2013 for reporting period July 1 – December 31, 2012 that the program was on track to fiscally and programmatically complete requirements as outlined in the grant application. This information was inaccurate and should not have been reflected in the report. The lack of internal controls increases the risk of material misstatements. It is vital to effective decision-making that accurate information is reported, as this information determines a baseline measurement of program effectiveness. According to the Department of Justice, you must ensure that valid and auditable source documentation is available to support all data collected for each

performance measure specified in the program solicitation. If these requirements are not adhered to, the award will be subject to termination for cause or other administrative action as appropriate.

Recommendations

In order to ensure that accurate information is always reported, internal controls need to be strengthened. Accurate reporting increases reliability and utility. We recommend periodic reviews of the GMS report to ensure the accuracy of information reported, which should agree with the supporting documentation.

Finding 3 – Noncompliance with Policies and Procedures

The Department of Purchasing & Contract Compliance manual states,

“All original signed and dated invoices/receipts should be attached to the appropriate reconciliation form(s). In addition to submitting the ‘Purchasing Card Reconciliation Form’, the Department Purchasing Card Liaisons shall also ensure all documents are signed by the cardholder, Department Head or designee and Purchasing Card Liaison authorizing disbursement of funds from the appropriate fund accounting lines. Department Purchasing Card Liaisons shall retain itemized signed and dated copies of invoiced/receipts.”

During our audit testing, we were able to readily identify receipts dated October 7, 2011-November 16, 2011 that were missing the appropriate signatures. The proper internal controls are not being implemented to ensure accurate recordkeeping and adherence to the policies and procedures. Policies and procedures are necessary in order to ensure effectiveness and efficiency within the Purchasing Card program. Deviation from these policies and procedures will result in the automatic suspension of the Purchasing Card or result in unauthorized purchases.

Also, according to the Department of Purchasing & Contract Compliance, each cardholder must maintain a “Purchasing Card Reconciliation Form” to record purchase transactions. The Department Purchasing Card Liaison should retain related documents for recordkeeping purposes. During our audit testing, we noted that a few of the vendor receipts were missing the supporting reconciliation form. The effect of not maintaining adequate records could result in purchases that are not properly documented.

Recommendations

We recommend compliance with all County’s policies and procedures. In addition, all receipts should be retained and organized in a clear and concise manner. This will help alleviate any deviation from the policies and procedures.

In addition, good record keeping is vital to providing information. To ensure compliance with policies and procedures, we also recommend that an effective record keeping system is implemented that documents all monthly banking reconciliations and invoice payments. Also,

strengthen the internal control system to ensure that recorded transactions are valid, properly authorized, complete, properly classified, and summarized correctly for entry into the AMS system. Supervisory reviews of these records should be performed on a consistent basis so any noncompliance issues can be readily identified and remediated.

Finding 4 – Untimely Submission of the Equal Employment Opportunity Plan (EEOP) and Grants Management Systems Report (GMS)

According to the Department of Justice, organizations that are recipients of awards of \$500,000 or more and have 50 or more employees are required to prepare an Equal Employment Opportunity Plan (EEOP) and submit it to The Office for Civil Rights (OCR) for review within 60 days. The Second Chance Grant Program received \$749,733 in grant funding on September 8, 2010 (2010-CZ-BX-0104) and \$749,772 in 2011 (2011-CZ-BX-0052) from the Department of Justice to institute a Second Chance Reentry Demonstration Program. The process for Fulton County's EEOP submission is as follows: The Grants Division submits a listing of grants that requires an EEOP to the Office of Equal Employment. The Office of Equal Employment generates a listing of all grants, attaches the EEOP, obtains signature from the County Manager and submits it to the Office of Civil Rights. The EEOP for the Second Chance Grants was submitted in May of 2013. The Second Chance Grant management did not follow the guidance of the Department of Justice in reference to the timely submission of the EEOP, and therefore is in violation of the terms of the agreement and the award will be subject to termination for cause or other administrative action.

In addition, the GMS report for the reporting period 07/01/2012-12/31/2012 due on 01/30/2013 was not submitted until 03/12/2013. The Second Chance Grant management was not in compliance with the reporting requirements of the grant. As a result of the noncompliance, the Department of Justice froze funds until the delinquent report was received.

Recommendations

We recommend that the Second Chance Grant management develop an effective grants management system that has written policies and procedures that conform to federal requirements and provides controls to ensure policies and procedures are followed. Also, consider identifying roles and responsibilities for the delegation of authority to monitor progress and assess results.

Finding 5 – Noncompliance of Sub-recipients

The grant agreement with the Department of Justice states,

“If your organization makes sub-awards to other agencies, you are responsible for assuring that sub-recipients also comply with all of the applicable Federal civil rights laws, including the requirements pertaining to developing and submitting an EEOP, reporting Findings of Discrimination, and providing language services to LEP persons.”

Reflected in the “Special Conditions” sections of the contracts with Suma LLC and WestCare Georgia, Inc., issued on October 5, 2011, are statements indicating that “No special conditions were required for this project.” The Second Chance Grants management did not ensure that the sub-recipients were in compliance with the applicable Federal civil rights laws. Failure to submit an EEOP is a violation of Certified Assurances and may result in suspension or termination of funding until such time as the recipient is in compliance.

Recommendations

The Second Chance Grant management should incorporate written procedures that include appropriate provisions in sub-awards to comply with the requirements of the Office for Civil Rights (OCR). The written procedures should also discuss conditions under which the sub-award may be terminated, as well as enforcement procedures for noncompliance.

Finding 6 – Failure to Use Fringe Benefits Towards In-Kind Match

The Second Chance Grant management is not in compliance with the in-kind contributions for fringe benefits outlined in the grant agreement. The approved total value of fringe benefits for in-kind personnel is \$318,036.98 for Grant 2010-CZ-BX-0104. As of March 31, 2013, no fringe benefits have been recorded for the employees of the Second Chance Grant. The Second Chance Grant management did not follow the guidance of the grant agreement in reference to the contribution for fringe benefits. Currently, the noncompliance is skewing the totals for the in-kind match; however, the Office of Grants stated that they would retrospectively account for the fringe benefits.

Recommendations

It is important to maintain accurate and complete records. During our audit, it was very apparent that the records reflected a fringe benefits column, but the benefits weren’t captured. The Second Chance Grant management should incorporate a grants management system that will link the in-kind contribution that is used as a match for federal funds to the financial report.

Finding 7 – Failure to Keep Records of Matching Contributions

Recipients and their sub-recipients must maintain records which clearly show the source, the amount, and the timing of all matching contributions. According to the Second Chance Grant management, the in-kind match for the jail staff was based on a forty (40) hour work week for six (6) officers and a work log wasn’t warranted for full-time employees. Also, insufficient documentation was provided to verify the accuracy of the reported in-kind employee contribution totaling \$320,413. During our audit, we were only able to trace \$6,341 of the in-kind employee contribution from the supporting documentation submitted by Second Chance Grant management. Recipients should be able to substantiate the performance of all parties involved and the outputs and outcomes achieved under any Federal grant. If a recipient fails to comply with the terms and conditions of an award, the awarding agency may take one or more of the following actions:

- Temporarily withhold cash payments pending correction of the deficiency by the recipient;
- Disallow or deny both use of funds and any applicable matching credit for all or part of the cost of the activity or action not in compliance;
- Wholly or partially suspend or terminate the current award;
- Withhold further awards for the project or program; or
- Take other remedies that may be legally available.

Recommendation

We recommend always documenting the following in the records of matching in-kind contributions to be in compliance with grant regulations:

Who is the source –to demonstrate that the contribution is from an acceptable donor source, this is especially important for audit purposes.

What was donated –to demonstrate that what is being used as match is suitable for match. Be specific and show how it related to the management plan.

How was the value determined – the donor should generally determine the value and it should be based on standard objective sources.

Who verified the information–who certified that the information is correct? There should be a responsible party who is prepared to sign that the information is true and correct.

Finding 8 – Failure to Execute Grant in a Timely Manner

All federal grants should be executed in a timely manner. During our audit, we reconstructed the chronological events related to the Second Chance Grant. Our reconstruction noted that there was no grant activity from October 2010-February 2011. This was the result of the failure to have a grant management infrastructure in place prior to acceptance of the grant. Negligence to develop a proper grant infrastructure can result in the program’s inability to meet requirements of the grant.

Recommendation

The initial stage of any grant program is the most important. If a program is not executed in a timely manner, it is difficult to adequately implement it. Grant programs should have clear and strong objectives that describe how the program will be implemented and staffed prior to soliciting applications. Further, it is essential that a proper grant infrastructure is in place prior to acceptance of the grant to ensure execution of the grant happens in a timely manner.

Conclusion

Our audit identified internal control and programmatic weaknesses regarding inaccurate recordkeeping, noncompliance with policies and procedures and the program’s participatory goal not being met. We highly recommend that the program implements the necessary internal

controls to prevent inaccurate records and seek ways to improve the intake process in order to increase participation in the program.

Please provide a written response to this audit within 30 days. You may email your written response to Brigitte Bailey, Administrative Coordinator III in the Office of Internal Audit at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.