

STATE OF NEW JERSEY
OFFICE OF FISCAL AFFAIRS
DIVISION OF STATE AUDITING

REVIEW OF STATE LAW ENFORCEMENT PLANNING AGENCY'S
PLANNING, OPERATIONS AND ADMINISTRATIVE AREAS

TOUCHE ROSS & CO.



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STATE LAW ENFORCEMENT PLANNING AGENCY

I N D E X

<u>Chapter</u>		<u>Page</u>
-	Letter from Touche Ross to State Auditor .	-
1	Background and General Information	1
2	Summary	2
3	State Planning Agency's Fiscal Administrative and Program Operation	4
4	State Planning Agency's Fiscal Administration	8
5	State Planning Agency's Administration of Subgrant Operations	11
6	Audits of Subgrantees and Contractors	13
7	Scope of Review	23
-	Agency Response to Report	Inside Back Cover

State Law Enforcement Planning Agency
Distribution Sheet of Audit Report

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Law Enforcement Assistance Administration

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State Law Enforcement Planning Agency

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April 11, 1974

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TO: Honorable Brendan T. Byrne
Governor of New Jersey

Honorable Frank J. Dodd
President of the Senate

Honorable S. Howard Woodson
Speaker of the General Assembly

Mr. Kenneth N. Bragg
Executive Director, Office of Fiscal Affairs

Gentlemen:

Under our direction, the Certified Public Accounting firm of Touche Ross and Company has completed an audit of the State Law Enforcement Planning Agency for the period January 1, 1972 to June 30, 1973. A copy of the audit report is attached. The scope of the audit included the State Planning Agency's Administrative and Program Operations, Fiscal Administration and Administration of Subgrant Operations.

This examination was made in accordance with audit specifications prepared by the Division of State Auditing. The scope of this examination, which included adherence to Federal Law Enforcement Assistance Administration audit guidelines, is set forth in detail on Pages 23 and 24 of the attached report.

The examination was performed and this report is submitted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and R.S. 52:24-4 of the Fiscal Affairs Act.

Respectfully submitted,

George B. Harper
George B. Harper
State Auditor

Attachment

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Newark, New Jersey
February 11, 1974

Mr. George B. Harper, State Auditor
New Jersey Legislature
Office of Fiscal Affairs
Division of State Auditing
Trenton, New Jersey

In accordance with the terms of our engagement with the Office of Fiscal Affairs, Division of State Auditing, we have completed our review of the State Law Enforcement Planning Agency's planning, operations and administration areas as described in our proposal dated June 13, 1973 and the contract No. 2P-282 with the Division. This engagement included a review of the State Law Enforcement Agency and its subgrantees as to compliance with applicable Federal and State laws, regulations and guidelines in the operation of Law Enforcement Assistance Administration grant programs.

The objectives of the review, and our findings, scope, observations and recommendations are presented in detail in the various sections following in this report.

Should you have any questions regarding the matters contained in this report, we shall be pleased to meet with you at your convenience.

Touche Ross & Co.
Certified Public Accountants

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NEW JERSEY
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The State Law Enforcement Planning Agency (SLEPA) was created by an executive order of the Governor of the State of New Jersey in August of 1968 in response to the enactment of the Federal Omnibus Crime Control and Safe Streets Act of 1968. This Agency is governed by a board of 18 members appointed by the Governor and consists of representatives of local units of government, state agencies and the public. The unique feature of SLEPA is that although it is subject to the jurisdiction of the Governor and takes a statewide approach to the problems of crime and justice, local participation in the decision-making has occurred not only through the creation of local planning agencies but by membership on the Supervisory Board. The Act authorizes the Law Enforcement Assistance Administration (LEAA) to make Federal funds available to states for the purpose of preparing, adopting and executing comprehensive law enforcement plans. These awards take the form of planning and action grants.

In order to assure local participation, the SLEPA must make available to units of local government at least 40% of the planning and 75% of the action money it receives.

The SLEPA is divided into three units, (planning, operations and administration) which are charged with the following main responsibilities:

PLANNING UNIT

The Planning Unit has the prime responsibility of coordinating the State planning and local planning efforts in the developing and updating of the comprehensive plan for the improvement of law enforcement and criminal justice throughout the State.

OPERATIONS UNIT

The Operations Unit provides technical assistance for the development and design of fundable programs for the State and local units of Government. This unit reviews all applications and evaluates ongoing projects for possible refunding. Further, it makes recommendation to the Board of Governors for the final decision on funding.

ADMINISTRATION UNIT

Once a project has been funded, the Administration Unit prepares the necessary documents for the contract. In addition, this unit releases funds after it reviews the reports submitted by the subgrantees. It coordinates the fiscal reporting to the State and Federal Governments and conducts interim and final audits.

We have performed a review of the State of New Jersey's State Law Enforcement Planning Agency (SLEPA) for the period January 1, 1972 to June 30, 1973. The objective of our audit was to review the planning, operations and administration areas, and to determine whether SLEPA and their subgrantees were complying with applicable Federal and State laws, regulations and guidelines for the operation of LEAA grant programs.

Fiscal Administration

1. SPA's expenditures in excess of LEAA approved budget.
2. Lack of budgetary control.
3. Improper accounting procedures.
4. Incorrect end of fiscal year carryforwards.
5. Inadequate summaries of discretionary subgrant expenditures.
6. Lack of follow-up procedures with respect to terminated grants.
7. Inadequate control over nonexpendable property.

Administration of Subgrant Operations

1. SPA's files did not contain all pertinent documents with respect to subgrants.
2. Inadequate monitoring of subgrantee operations.
3. Lack of formal policy with respect to audits of subgrantees.
4. Lack of independence of internal audit function.
5. Insufficient staffing of internal audit function.

A summary of the observations noted during our audits of 35 subgrantees follows:

1. Expenditures in excess of approved budgetary limitations.
2. Failure of subgrantees to obtain SPA's approval for budget revisions.
3. Subgrant expenditures for items not included in approved budget.
4. Supporting documentation lacking for expenditures (Federal and non-Federal).
5. Improper submission of required reports to the SPA, including detailed cost statements and quarterly project narratives.
6. Inadequate or incomplete accounting records.
7. Records not maintained for nonexpendable property.
8. Improper procedures with respect to bidding requirements.
9. Lack of non-supplanting certification.
10. Unobligated funds not remitted to the SPA on a timely basis.

4. Plan Implementation

Fiscal rules and grant conditions have been established which provide for the establishment of adequate fund accounting systems, reporting requirements, fund disbursement procedures and compliance with policies generally applicable to the administration of Federal grants. Applicants for grant funds must be aware of these rules and conditions.

This element of administration also encompasses the SPA's methods and procedures for subgrant awarding and administration, including the monitoring of planning, action and discretionary grants and the fiscal controls and accounting procedures established to assure proper distribution of and accounting for Federal funds.

5. Technical Assistance and Services

State Planning Agencies must provide technical assistance or services for programs contemplated by the state plan and by units of local government.

The following observations were noted during our review of the agency's administrative and program operations:

1. Governing Board

The LEAA has commented upon the lack of representative character of the Governing Board as well as the poor attendance at board meetings.

As to the representative character of the board, we feel that the LEAA comment is still valid. Local units of government are represented by five members of the board, as compared with nine members of the board being members of the State Government and two representatives of the public.

Since local units of government receive a major portion (approximately 75%) of action funds and a large portion (40%) of planning funds, it would seem that local interests should have a major portion of representation on the board.

The present composition of the board should be reviewed with the LEAA regional office with a view towards establishing the adequacy of its representative character.

We also concur with LEAA as to the record of attendance of board members at meetings of the governing board. No regular members attended all meetings; three members attended eight of nine meetings; seven members attended five or six of nine meetings; two members attended two or three of nine meetings and four members attended no meetings.

In many cases, absent board members have sent alternates to these meetings, which is permissible according to the bylaws of the governing board. There is, however, no written policy with respect to the maximum number of meetings at which an alternate may represent a regular board member.

We feel that to fulfill the obligation required as a member of this board, it is necessary that a member regularly attend such meetings. We recommend that the bylaws of the governing board be amended to provide for the dismissal of members who do not regularly attend meetings of the board and to establish the maximum number of meetings at which alternates may represent the appointed board members.

2. Lack of Written Procedures, Position Descriptions and Delegations of Authority

There is presently no written manual of job descriptions which sets forth specific job qualifications, responsibilities, duties, supervision to be given and received for all staff members. Authorities and delegations of authority have not been reduced to writing. In addition, we noted that there is no manual of procedures with respect to the accounting or fiscal area which defines accounting policies, procedures and internal controls.

An agency of this size without written procedures and policies can expect to find policy and procedural inconsistencies. The number of such inconsistencies can be minimized by the written codification of agency policies and procedures and insistence on adherence to them.

Our review of a random selection of 60 SPA administrative subgrant files disclosed that the subgrant applications met the requirements with respect to the statement of objectives in measurable terms and the presentation of an overview of the methodology to be used in evaluating the attainment of these objectives.

We did note, however, that there were deficiencies in the SPA's evaluation process in approximately one-third of those sampled. In all cases, our determination was based on the fact that the administrative files did not contain certain documents such as agency contact reports attesting to field visits or the required quarterly narrative reports which provide a basis for evaluation.

With respect to the efficiency of the SPA as to the time required to process a subgrant application, we noted that for 1971 and 1972 subgrants, the time required averaged approximately four months. For 1973 subgrants, the average time required amounts to approximately two months.

Since the quarterly narratives submitted by the subgrantees and field contact by program analysts are elements extremely necessary to a proper evaluation of a project, procedures should be established providing for timely submission of the quarterly narratives and timely and regular agency contact by program analysts. We recommend that there be a periodic review of active files by agency personnel not involved with this function to determine that necessary and updated documents, including quarterly narratives and agency contact reports, are contained therein. We also recommend that monthly reports be prepared showing the number and detail of all agency contacts by each program analyst and also a projection of agency contacts to be included during the subsequent month.

The act requires that any State receiving Federal funds must provide such fiscal control to assure proper disbursements and accounting of funds received. The act also requires recipients to maintain records that fully disclose the amounts and disposition of Federal funds, the total cost of projects or programs that are federally funded and the amount of funds or assistance supplied by other than Federal sources.

Our review of the fiscal procedures and operations disclosed the following:

1. The SPA has exceeded the amount budgeted in the categories of personnel (\$25,410) and other expenditures (\$3,855) during the 1972 fiscal year, without prior approval of LEAA.
2. The agency's appropriation ledger does not provide for a detailed breakdown of budgeted expenditures. It is difficult therefore to compare the actual expenditures to amounts budgeted.
3. In addition to Agency Books of Account, the SPA also maintains certain records (referred to as Federal Books) which reflect all transactions on a cash basis. The unexpended cash balances as reflected in each set of books do not agree and have never been reconciled. In fact we were informed that no attempt has been made to effect such a reconciliation. We requested the fiscal officer to prepare such a reconciliation of these cash balances, but as of the date of the completion of our field work this has not been done.

One of the reasons for the differences noted above appears to be that certain items which are recorded in one set of books are not recorded in the other due to a breakdown in communications among fiscal personnel responsible for the maintenance of these books.

4. We were unable to ascertain the correctness of the amounts reported as unexpended at the end of the 1972 fiscal year which is carried forward as "unobligated" to the subsequent year. We noted that payments of 1972 fiscal year obligations were being charged against both 1972 and 1973 budgets. Such a practice results in errors in the computation of the unexpended balance available at the end of both years as well as errors in fiscal reports of SPA expenditures.
5. We were unable to determine whether the SPA complied with LEAA regulations with respect to the dollar limitations (1/3) on expenditures of action grant funds for personnel since the SPA has not maintained summaries which provide an adequate breakdown of subgrant expenditures for 1970, 1971 and 1972 action grants.
6. The SPA did not maintain adequate accounting records with respect to the recording and summarizing of expenditures as reported by recipients of discretionary subgrants.
7. We noted a lack of follow-up procedures with respect to refunds due from recipients of action grants which have terminated.

8. The LEAA guidelines require the SPA's accounting system be integrated with adequate internal controls to safeguard their funds and assets. The objective is to provide management control over funds and other assets so as to insure that when assets acquired with Federal grant funds are: (1) sold, (2) no longer available for use in a Federally-sponsored program, or (3) used for purposes not authorized by the Grantor Agency (LEAA), the Federal Grantor Agency's equity in the asset will be refunded in the same proportion as Federal participation in its cost.

The SPA does not exercise adequate control over nonexpendable property acquired for use in SPA activities.

A detailed equipment ledger showing all acquisitions and disposals of nonexpendable property is not maintained. Informal listings of nonexpendable property are prepared based on inventories taken periodically by SPA personnel. There is, however, no way in which this physical inventory can be reconciled to a control figure for such property.

We were unable to trace the acquisition of 2 vehicles into the accounting records. No satisfactory explanation was given to us by SPA personnel. Records for vehicle acquisitions are inadequate. There is no information readily available with respect to these vehicles other than a listing of vehicles owned showing only the SPA section to which the vehicle is assigned and the license plate number.

We also noted that the SPA acquired a 1973 vehicle for cash plus a trade-in of a 1969 vehicle and did not record the transaction. (See number 3 above).

We recommend that:

1. The SPA appropriation ledger include the amounts budgeted for expenditures in each expense category. This procedure would facilitate comparisons of actual and budgeted expenditures and aid in the achievement of budgetary control.
2. Monthly reconciliations of the unexpended cash control balances as recorded in the Agency's books of account and the Federal books be prepared. In addition, procedures should be implemented which would require coordination within the fiscal area in maintaining these records to avoid errors in the recording of transactions.
3. Obligated amounts at the end of a fiscal year be maintained in a separate account in the subsequent year. All payments against these obligations should be charged to this account.
4. The SPA maintain summaries reflecting detail breakdowns of subgrant expenditures of action funds as an aid in assuring compliance with LEAA regulations with respect to limitations on expenditures.
5. Procedures be established providing for the recording and summarizing of expenditures of discretionary subgrantees as well as the monitoring of programs implemented with discretionary funds.
6. The SPA determine the status of all subgrants and maintain a current record of such status. Management can utilize this information to determine if refunds may be due from terminated subgrant programs and institute necessary follow-up procedures.

7. The SPA record the acquisition and disposal of all nonexpendable property in an equipment ledger. This ledger should contain basic information such as the cost, serial number, description, date, etc.

Periodic physical inventories of nonexpendable property should be taken by SPA personnel and reconciled to the equipment ledger.

The SPA should determine the reason why the acquisition of the two vehicles as noted above, were not recorded in the books of account and establish procedures which would preclude this reoccurrence.

The State Planning Agency is charged with responsibility for the administration of planning and action block grant funds awarded by LEAA in accordance with applicable Federal and State laws, regulations and procedures. It must provide adequate direction, guidance and assistance to recipients of grant funds as well as performing the monitoring function relative to the financial and program activities of the subgrantees insofar as they relate to projects for which Title I grant funds have been made available.

The monitorship program should encompass:

- a. Financial reporting by recipients of subgrants and review by SPA staff.
- b. Periodic evaluation reports by recipients and SPA staff with respect to program progress and accomplishments.
- c. Technical assistance by SPA staff.
- d. Audits of subgrant projects.

Of all the functions performed by the SPA, the monitoring function is one of the most important. It is in this area where the SPA has some major problems.

Although there are procedures providing for retrieval and review of financial and program evaluation data from subgrantees via detailed cost statements and quarterly narratives, it is evident from our reviews of SPA and subgrantee files that many of these reports are missing, not submitted on a timely basis or not subjected to critical review by SPA Staff. We have already commented on agency field contacts and review and follow-up in that area. (See Chapter 3).

We noted some disorder in the maintenance of subgrant files. The agency presently maintains 2 files for each subgrant - an administrative file which is the "control" file and a working folder which is maintained by the operations section and utilized by the program analysts in program monitoring. In many cases the "control" file did not contain all pertinent documents. We were informed that in some cases documents are removed from the administrative file and never replaced.

In addition to what was recommended in Chapter 3 with respect to the review of files for completeness we further recommend that procedures be developed providing for a stricter control over the administrative subgrant files. Access to these files should be limited to certain individuals and anyone removing anything from a file should be required to sign a control log.

The subgrantee audit staff presently consists of 3 individuals who are included in the Administrative Unit of the Agency and are under the direction of the Assistant Director - Administration and report directly to him.

There is no formal policy with respect to the audits of subgrantees. In the one and one-half years of its existence the internal audit staff has reviewed 32 subgrants. Most of these reviews have been conducted based on requests by in-house personnel rather than an independent selection by the audit staff. Present procedures for the audit of subgrantees do not provide for an independent evaluation of project achievements by the internal audit staff. In addition, the internal audit function has not been applied to the SPA's operations nor are there plans to do so.

We recommend that:

1. Formal policies regarding the audits of subgrantees by the audit staff be developed. These policies should provide for a minimum number of audits to be performed each month, the scope of each audit and both interim and end of grant period audits. In-house requests for audits of subgrants are not precluded by having an independent selection by the audit staff but would complement the selection.
2. The subgrantee audit staff involve itself to some degree in the area of program evaluation in order to assure adherence to requirements with respect to the monitoring responsibilities of the SPA.
3. The audit function be independent of the administrative section insofar as reporting and direction. The internal audit staff should be directly responsible and report to the SPA Director or the Governing Board.
4. The audit function be expanded to include periodic reviews of the SPA's fiscal and administrative operations.
5. The audit staff be increased in size. In view of the increase in the size of the organization and the number of grants awarded we feel that adequate coverage by the audit staff will require an increasing number of audits of subgrantees which can only be achieved by an increase in the number of staff personnel performing this function.

3. Subgrant Number A-128-71
Graduate School

- a. No time records are maintained for individuals whose salaries are part of the non-Federal share.

4. Subgrant Number E-1-71
Officers' Training School

- a. The SPA has advanced more cash than required for a month's expenditures. In the last month of the project's operations the SPA advanced \$74,409.00 to this agency. This is more than twice the highest amount expended in any one month during this project's operation. In June 1973, a budget revision request was submitted to and approved by the SPA. Based on previous months' average expenditures and our review of the budget revision request, we believe that the request was not properly prepared and should not have been approved. In addition, funds are being expended subsequent to the project termination date of June 30, 1973 without prior approval of the SPA.
- b. Expenditures for consulting services were in excess of daily allowable limits. (For example, we noted cases where instructors received \$100.00 for a two-hour session).
- c. We noted what appears to be duplicate payments to certain individuals for instructional services.
- d. Charges for luncheons and dinners totaling \$755.00 were included in the materials and supplies category of expense. No provision for such outlay was included in the approved budget.
- e. Salary charges were incurred (per the July detailed cost statement) subsequent to June 30, 1973 which is the maximum deadline date for the obligation of 1971 Parts C and E Action Funds. It is very unlikely that the project would be obligated for salary charges.
- f. There are no inventory records maintained for nonexpendable property.
- g. The approved budget did not include a detailed breakdown of equipment to be acquired (LEAA guidelines stipulate that the acquisition of such equipment must be detailed). We noted that three vehicles were purchased (\$8,010.00) for the project. Prior approval of the SPA was obtained for only one of these acquisitions.

It is difficult to see how the acquisition of three vehicles relates to the objectives of this training program. No adequate reason has been given to us as to the project's need for the vehicles other than the fact that there was no budgetary restriction against such acquisition. It would seem that existing travel capabilities should have been considered.

- h. The project application did not meet the criteria outlined in the State Applicant's Guide, with respect to project goals and objectives.

5. Subgrant Number A-21-72
Expansion of State Public Defender
Services

- a. Quarterly narratives have not been submitted to the SPA.
- b. Detailed cost statements, including the final one, have not been submitted to the SPA.

6. Subgrant Number A-188-71
Selection Procedure Study for Patrolmen
- a. Quarterly narratives have not been submitted to the SPA.
 - b. There was no indication of the SPA approving a contract with a service agency.
 - c. Only one detailed cost statement was submitted to the SPA.
7. Subgrant Number A-62-71
Pre-Trial Intervention Project
- a. Only two detailed cost statements were submitted to the SPA during the entire grant period. A final statement has not yet been submitted.
 - b. The refund due to the SPA has not yet been made. The project termination date was October 31, 1972.
 - c. Documentation for the non-Federal share requirement with respect to salaries was not available.
 - d. There was a lack of evidence (such as contact reports) as to field visits by SPA performed as well as a lack of quarterly narrative reports.
 - e. No inventory of nonexpendable property is maintained.
 - f. Invoices for consulting services do not provide an adequate description of the services rendered.
8. Subgrant Number P-8-73
Comprehensive Criminal Justice Planning
- a. County invoices totaling \$3,295.88 submitted by the City to the County Planning Board were not supported by adequate documentation. These invoices were not paid yet they appeared as expenditures on the detailed cost statement submitted to the SPA.
 - b. We were informed by the assistant project director that he does not participate in the project on a full-time basis, although the project budget stipulates that this function is to be on a full-time basis.
9. Subgrant Number 71-DF-710
Drug Abuse Prevention and Rehabilitation
- a. Accounting records of the County Treasurer are not reconciled to detailed cost statements as submitted to the SPA.
 - b. Grant funds were expended subsequent to 90 days after the project termination date.
 - c. Inventory records for nonexpendable property are not maintained.
 - d. The final detailed cost statement has not been submitted.

10. Subgrant Number A-61-71
Operation Concern

The SPA is currently conducting an audit of this subgrantee. Presented below are our general observations:

- a. Record-keeping very sloppy. Certain required documents not available (non-supplementing certificate, budget revision requests, etc.).
- b. Inadequate documentation for subgrantee non-Federal share requirement.
- c. Consultants' invoices did not contain adequate detail as to the services rendered, the time spent, etc.
- d. SPA file on this project incomplete. Agency contact reports not in file. The original application is not too clear as to the program's objectives and how they can be measured.
- e. Internal control weak due to the lack of separation of accounting functions and duties.

11. Subgrant Number A-9-72
Increasing Capabilities of Police Communications Systems

- a. Quarterly narratives have not been submitted to the SPA.
- b. The subgrantee was fully funded prior to the time the cash was required.
- c. Documentation for the non-Federal share requirement is inadequate.
- d. No inventory of nonexpendable equipment is maintained.

12. Subgrant Number A-103-72
Diagnostic, Research and Planning Team

- a. The subgrantee never received a copy of the special conditions which were a part of the subgrant award.
- b. The detailed cost statements are not filed on a timely basis.
- c. Charges for contracted services exceeded the allowable limit of \$135.00 per day.
- d. Time and attendance records are inadequate.
- e. Neither the nonsupplanting certificate nor its documentation were available to us.
- f. Expenditures for consultants' services were included as salaries and wages.
- g. The project director's and a clerical worker's salary rates were in excess of the budgeted amounts.
- h. Documentation for services provided by consultants was unavailable.
- i. Documentation for the required non-Federal share is not maintained.

13. Subgrant Number A-7-72
Intensified Youth Probation Office
- a. There was no documentation for the required non-Federal share.
 - b. There was no documentation for the estimated indirect costs.
14. Subgrant Number A-39-72
Probation Rehabilitation Program
- a. Detailed cost statements have not been submitted to the SPA on a timely basis.
 - b. The final project narrative has not been submitted to the SPA.
 - c. Documentation for expenditures of approximately \$900.00 during the month of July 1972 could not be located.
 - d. Time and attendance records are not maintained for more than a one year period.
 - e. An inventory of nonexpendable property is not maintained.
15. Subgrant Number P-2-72
Continuation of a Comprehensive Criminal Justice Plan Design
- a. Subgrantee expenditures include items which have not been paid as of August 1973 which exceeds the 90-day limit for liquidating obligations.
 - b. Time and attendance records are inadequate.
 - c. The subgrantee accounting system does not differentiate between different grant expenditures. It is possible that expenditures that are chargeable to one grant could be charged to a subsequent year's grant.
16. Subgrant Number A-8-71
City-County Strike Force to Combat Organized Crime
- a. Subgrantee feels there has been a lack of communication with the SPA.
 - b. Quarterly narrative reports were not submitted on a timely basis.
 - c. The subgrantee has exceeded budgeted amounts for salary - \$2,000.00, travel - \$3,000.00, and equipment - \$2,000.00, without obtaining SPA's approval.
 - d. Grants A-8-71 and A-242-71 both have been charged for expenditures occurring in the month of July 1972.

17. Subgrant Number

A-193-71

Juvenile Delinquency Prevention Program

Our audit of this program disclosed the following:

- a. Improper submission of monthly detailed cost statements to SPA. It was not possible to reconcile amounts reported as project expenditures, including non-Federal share, to the accounting records. The amount reflected on the detailed cost statement as the total budget for the project differed from the original actual award by \$16,694.00.
- b. This subgrant was intended to cover projects operated by three separate agencies. The "Model Cities" program received no funds for their project from the City of Hoboken, which had received the initial funding (\$40,535.00), a portion of which was to be used by the Model Cities project. It appears that the total initial funding was expended for one component (Teen Post) of the project. Included in these expenditures were disbursements for items not included in the approved budget totaling approximately \$3,000.00.
- c. Failure to implement procedures to correct deficiencies as noted in previous SPA audit of April 1973.
- d. No quarterly project narratives were submitted to the SPA.
- e. Nonsupplanting certificate not in SPA file.
- f. Lack of communication between LEAA and SPA. LEAA granted an extension of time to the project of which the SPA was not aware.
- g. The SPA file for this project was incomplete and disorganized.
- h. Program monitoring and review are inadequate. Based on a review of the project file and conditions noted above it was evident that immediate remedial action (other than correspondence) should have been initiated. SPA personnel have been very vague in their responses to our questions with respect to this project.
- i. Fiscal and administrative controls at the subgrantee level are not adequate to insure the proper expending of program funds. The subgrantee has no procedures to properly monitor the expenditures and operations of the various projects covered by this grant.

18. Subgrant Number

A-6-71

Expanded Narcotic Enforcement

- a. Subgrantee files with respect to the award were incomplete. There were no copies of original application or nonsupplanting certificate. Copies of quarterly narrative reports are not maintained by the subgrantee.
- b. Two automobiles each costing in excess of \$2,500.00 were purchased without the acquisition of competitive bids or a waiver of bidding requirement.

19. Subgrant Number A-65-72
Police Community Relations
- a. Improper recording and accounting for the non-Federal share - salary.
20. Subgrant Number A-105-72
Many Aiding Youth by Experience
- a. Quarterly narrative reports were not found in the file.
- b. No inventory records are maintained for nonexpendable property.
- c. Detailed cost statements were not being submitted to the SPA on a timely basis.
- d. Inadequate time records for individuals spending a portion of their time on the project.
21. Subgrant Number A-139-72
A Team Approach to Drug Prevention
- a. The S P A. was not aware as to who was in charge of the recordkeeping or where the accounting records are maintained.
- b. Documentation for the required non-Federal share with respect to salaries, facilities, etc. was not available.
22. Subgrant Number A-140-71
Allocation of Resources and Manpower
- a. Detailed cost statements are never reconciled to the City Treasurer's accounting records.
- b. The non-supplanting certificate was not filed with the SPA.
- c. LEAA approval has not been obtained for the rental of electronic data processing equipment amounting to \$13,000.00.
23. Subgrant Number A-91-72
Police Community Relations
- a. Documentation for the required non-Federal share was not available.
- b. The subgrantee's personnel expressed the opinion that the SPA had not provided adequate guidance to the subgrantee.
- c. The rate used for automobile mileage is \$.12 per mile rather than the allowable \$.10 per mile.
- d. Inventory records for nonexpendable property are not maintained.
- e. The non-supplanting certificate was not available.

24. Subgrant Number A-76-72
Therapeutic Alternate School and
Community Drug Program
- a. The cumulative expenditures as reported on the detailed cost statement differ by \$1,903.00 from those reflected in the subgrantee's books of account. The subgrantee could offer no explanation.
 - b. The subgrantee's accounting records do not allow for ease in reconciling to the detailed cost statements on a line item basis since they are not broken down on this basis.
 - c. The detailed cost statement reflects an overexpenditure of approximately \$1,000.00 in the equipment category. This was done without prior SPA approval.
 - d. The detailed cost statements are not being filed on a timely basis.
 - e. Documentation was not available for all program expenditures.
 - f. The quarterly narratives have not been submitted to the SPA.
 - g. Inventory records are not maintained for nonexpendable property.
25. Subgrant Number A-264-71
Personal Assignment of Police Vehicles
Expansion Project - Indianapolis Car Plan
- a. Detailed cost statements were submitted on a quarterly rather than a monthly basis.
 - b. The subgrantee's files did not contain a copy of the subgrant award document.
 - c. Unobligated cash amounting to \$1,567.00 had not been refunded to the SPA. The grant termination date was June 30, 1973.
26. Subgrant Number A-69-72
Improvement of Police-Juvenile Relations
- a. There is no documentation for the required non-Federal share.
 - b. Subgrant project costs are inseparable from other costs due to the accounting system employed. In addition, detailed cost statements are not reconciled to the accounting records.
 - c. The June 1972 detailed cost statement reflected an overexpenditure in the category of salaries and wages and yet, a budget revision request was not filed until July 1972.
 - d. During our test of payroll transactions for one month, we noted a \$250.00 difference between subgrantee records and the detailed cost statement.
 - e. A non-supplanting certificate was not filed with the SPA.

27. Subgrant Number A-116-71
Improve Communications for
Police Department
- a. Funds were transferred to the subgrantee in January 1973 although they will not be expended until October 1973.
 - b. The subgrantee could not provide statistics in support of the non-supplanting certificate.
28. Subgrant Number A-67-71
Mayor's Education Task Force
- a. Inventory records not maintained for nonexpended property.
 - b. The quarterly narratives have not been submitted to the SPA.
 - c. The detailed cost statements were not submitted on a timely basis. The final detailed cost statement has not yet been submitted (program year terminated on May 18, 1973).
 - d. There is no documentation for the required non-Federal share.
 - e. The project received its initial funding in November 1971 although it was not operating until March 1972.
 - f. A final refund of \$1,620.00 has not yet been remitted to the SPA.

We have not listed detailed recommendations with respect to the deficiencies noted at the subgrantee level since we would be reporting many of the recommendations noted in the forepart of this report. The majority of these deficiencies could be eliminated by the operation of an efficient monitorship program.

TOUCHE ROSS & CO.

The following subgrants were reviewed by us:

<u>Subgrant Number</u>	<u>Project and Title</u>	<u>Subgrant Amount</u>
72-DF-02-0007	Expansion of Centralized Laboratory and Establishment of Regional Laboratories	\$ 120,000.00
A-285-71	Police Legal Workshops	34,670.00
A-128-71	Graduate School	21,572.00
E-1-71	Officers' Training School	320,000.00
A-21-72	Expansion of State Public Defender Services	500,000.00
A-188-71	Selection Procedure Study for Patrolmen	76,389.00
A-62-71	Pre-Trial Intervention Project	195,701.00
P-8-73	Comprehensive Criminal Justice Planning	41,721.00
71 DF 710	Drug Abuse Prevention and Rehabilitation	150,000.00
A-61-71	Operation Concern	50,425.00
A-9-72	Increasing Capabilities of Police Communication Systems	54,329.00
A-103-72	Diagnostic, Research and Planning Team	37,625.00
A-7-72	Intensified Youth Probation Office	80,431.00
A-39-72	Probation Rehabilitation Program	60,143.00
P-2-72	Continuation of a Comprehensive Criminal Justice Plan Design	28,890.00
A-8-71	City-County Strike Force to Combat Organized Crime	170,000.00
A-97-72	To Expand Diagnostic Service Available to Juvenile Court	61,583.00
P-16-72	Criminal Justice Planning Program	31,865.00
A-193-71	Juvenile Delinquency Prevention Program	162,143.00
A-6-71	Expanded Narcotic Enforcement	19,754.00
A-65-72	Police Community Relations	44,921.00
A-105-72	Many Aiding Youth by Experience	88,705.00
A-139-72	A Team Approach to Drug Prevention	125,683.00
A-140-71	Allocation of Resources and Manpower	128,979.00
A-91-72	Police Community Relations	69,350.00
A-76-72	Therapeutic Alternate School and Community Drug Program	61,133.00
A-264-71	Personal Assignment of Police Vehicles Expansion Project Indianapolis Car Plan	36,957.00
A-69-72	Improvement of Police - Juvenile Relations	28,209.44
A-116-71	Improve Communications for Police Department	45,073.00
A-67-71	Mayor's Education Task Force	67,661.00
A-88-72	Juvenile Narcotics Program	22,633.00
A-30-72	Reduction of Response Time and Improved Services	17,018.00
A-195-72	Communications Project	34,862.00
A-23-72	Community Relations Expansion Program	33,829.00
A-154-72	Improved Communications and Response Time	22,264.00

Chapter 7

SCOPE OF REVIEW

We have performed a review of the State of New Jersey State Law Enforcement Planning Agency (SLEPA) for the period January 1, 1972 to June 30, 1973. Our review of SLEPA covered funds received under the State's planning grants for fiscal years 1971 and 1972 and for action grants for fiscal years 1970, 1971 and 1972.

The scope of our review not only included the specific items listed in your "Specifications for Independent Audit Services for State Law Enforcement Planning Agency in Section B(1) Scope of Audit Work" but also met the requirements of the United States Department of Justice, Law Enforcement Assistance Administration, as detailed in "Audit Guide for Review of State Planning Agencies' Subgrantees and Contractors." Specifically, the scope included the following:

1. A review of The State Planning Agency's Administrative and Program Operations. This review entailed the following:
 - (a) Meeting with key officials of the agency for the purpose of explaining the audit plan objectives and scope, and for eliciting information concerning the agency's operations.
 - (b) Interviews of agency personnel with respect to their functions. Detailed narratives and flow charts of these functions were prepared.
 - (c) Reviewing the organization of the Governing Board to determine whether it was representative of law enforcement agencies, units of general local government and public agencies maintaining programs to reduce and control crime. We also reviewed the minutes of meetings of the Board and noted the policies and procedures of the Board.
 - (d) An evaluation of the agency's staffing in terms of size and competency.
 - (e) A review of the State Agency's policy, operating procedures and controls to determine if the approved action plan is being implemented in the most expeditious manner. A sample number of project applications were reviewed for the purpose of determining the amount of time required to process an application.

We also reviewed the State Agency's methods for evaluating program accomplishments and progress, the existing audit capabilities and the policies and procedures governing audits of subgrantees and contractors.
2. A review of The State Planning Agency's Fiscal Administration. This included:
 - (a) The interviewing of key members of the fiscal staff.
 - (b) A review of the SPA's operating manuals, handbooks and fiscal and accounting procedures relating to payroll, vouchering, procurement, contracting, travel, internal forms and controls.
 - (c) A review of the account structure to determine whether control and subsidiary accounts or records were established which account for and identify the receipt of and disposition of planning and action funds.
 - (d) A review of the SPA's system of internal control and accounting procedures. This involved a detailed review of various accounting records and documents with respect to planning and action funds

including both the Federal and non-Federal share, as well as a test of transactions of the SPA to determine compliance with the procedures and systems in effect.

3. A review of the State Planning Agency's Administration of Subgrant Operations. This included:
 - (a) A review of the SPA's procedures for controlling subgrantee operations. This entailed an examination of those procedures for the reviewing, processing and controlling of project applications, through the award or rejection stage; a review of the SPA's reporting system for retrieving financial data from subgrantees; and an evaluation of the SPA's methodology with respect to the measurement of program objectives.
4. An audit of a selected number of subgrantees. This entailed our field visit to 35 subgrantees including five (5) projects previously audited by the SPA. The type of subgrantee included State Departments and Agencies, Counties and Municipalities.

Our testing and sampling of entries and accounts did not contemplate a complete verification of the books of accounts and records by detailed audit of every transaction, as this would not be practicable or economically feasible. Our work was not primarily or specifically designed, and cannot be relied upon, to disclose defalcations and other similar irregularities, although their discovery may result. Principal reliance must be placed on the system of internal control, internal audit and managerial supervision for the prevention and detection of fraud.



GOVERNING BOARD
WILLIAM F. HYLAND
CHAIRMAN

State of New Jersey

STATE LAW ENFORCEMENT PLANNING AGENCY

3535 QUAKER BRIDGE RD
TRENTON, NEW JERSEY 08625
TELEPHONE 609 292-5670

March 26, 1974

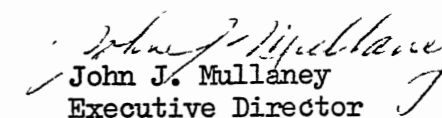
Mr. John P. Callahan, Director
Division of State Auditing
Office of Fiscal Affairs
State House, Suite 232
Trenton, New Jersey 08625

Dear Mr. Callahan:

I am pleased to report that substantially all the deficiencies with respect to fiscal administration and project monitoring pointed out in the audit report have been remedied. The basic cause for the problems encountered in 1972 and early 1973 was substantial understaffing. We are at last close to our authorized strength and, as a result thereof, we have already been able to implement many new procedures to improve and strengthen fiscal administration and grant monitoring. While the audit concerned itself only with the period up to June 1973, the audit report noted that the Agency has already eliminated certain of the problems and is currently implementing procedures believed to provide a greater degree of control and efficiency. For example, in the beginning of 1972 we did not have an auditor on staff. We now have eight auditors. The operations division which is responsible for project monitoring has expanded from seven in early 1972 to twenty-eight at present. This has been accomplished pursuant to a plan of reorganization submitted to and approved by the Department of Civil Service. In addition, recommendations as to Governing Board composition are now under review.

I am sending to you under separate cover a detailed and itemized response to the specific comments found in the audit report.

Very truly yours,


John J. Mullaney
Executive Director

JJM:vnb

BRENDAN T. BYRNE
GOVERNOR
JOHN J. MULLANEY
EXECUTIVE DIRECTOR

