



Internal Audit Service Center

**Memphis Area Neighborhood Watch Department
Police Services Division
Neighborhood Crime Prevention Grant
Examination**

February 21, 2017

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JIM STRICKLAND
MAYOR

EXECUTIVE DIVISION

February 21, 2017

Michael Rallings, Director
Police Services Division
City of Memphis
201 Poplar Avenue, 12th Floor
Memphis, TN 38103

Dear Director Rallings:

We have completed our examination of the process used by the Memphis Area Neighborhood Watch department (MANW) to award Neighborhood Crime Prevention Grants (NCPG). The findings and recommendations contained in this report should assist management in conducting a more effective and efficient operation.

The primary objective of this examination was to evaluate internal controls over the NCPG award process. Our secondary objective was to evaluate compliance and determine whether NCPG funds were distributed equitably. To accomplish our objectives, we interviewed MANW management and staff to gain an understanding of the award process. We reviewed documentation specifically related to NCPG and conducted compliance testing of NCPG awards and pertinent financial records for the period July 1, 2015 to April 30, 2016.

We concluded that overall, internal controls over the NCPG award process were satisfactory and NCPGs were awarded equitably. NCPG award decisions were based on an objective, systematic review of applications by a designated review committee. Additionally, the process involved further review and approval of the Director for final awarding of NCPGs. However, we noted some internal control weaknesses that over time, could significantly impact NCPG effectiveness and efficiency if not properly addressed.

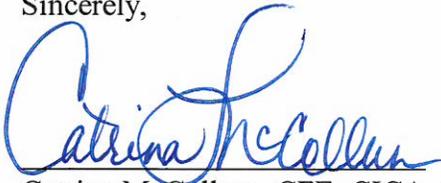
We conducted this examination in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit may not necessarily disclose all weaknesses related to the NCPG award process. The following pages provide the details of our findings and recommendations.

City of Memphis – Internal Audit
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NCPG Examination
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Our audit process provides management with the option to submit a written response to the draft report for inclusion in the final report; or to submit a written response within thirty (30) days after issuance of the final report. We presented you with the draft report dated January 19, 2017. Management's written response to the draft appears in full text in the appendix of this report. We will evaluate the response and adequacy of corrective action during a follow-up review.

We appreciate the cooperation of the management and staff of MANW, MPD and Parks during our examination. Please do not hesitate to call us if you have any questions or need additional assistance.

Sincerely,



Catrina McCollum, CFE, CICA, CMFO
Project Manager

APPROVED:



Debbie Banks, CFE, CICA, CMFO
City Auditor

- c: Jim Strickland, Mayor
- Doug McGowen, Chief Operating Officer
- Patrice Thomas, Deputy Chief Operating Officer
- Mike Ryall, Deputy Director, Police Services Division
- Rowena Adams, Deputy Chief, Administrative Services, Police Services Division
- Ross Lambert, Major, RTCC, Police Services Division
- Lia Roemer, Manager, Memphis Area Neighborhood Watch Department

BACKGROUND

The background information provides relevant and pertinent information to assist the reader with gaining a reasonable understanding of the activity under review. Additionally, the information helps to provide the reader with the best possible context for which to understand the nature of audit findings, observations, and recommendations.

The Memphis Area Neighborhood Watch Department provides support to eligible groups that participate in the Memphis Area Neighborhood Watch (MANW) program. The MANW program promotes neighborhood cohesiveness and encourages citizen participation in neighborhood crime prevention efforts (i.e., citizen patrols, neighborhood clean-up, etc.). The MANW program also awards Neighborhood Crime Prevention Grants (NCPG) to fund eligible crime prevention activities. In accordance with Ordinance 5493, Section 21-80, the MANW program is funded annually with proceeds totaling \$150,000 obtained from Red Light Camera revenues. The ordinance further allocates 50% of the remaining revenue to be distributed monthly after the \$150,000 threshold is met, for purposes of maintaining the MANW program.

Neighborhood Watch (NW) groups must register with their local Police precinct and receive crime prevention training to be eligible to participate in the MANW program. On a cyclical basis throughout the year (usually quarterly), eligible NW groups are encouraged to apply for the NCPG. The maximum amount of the award is \$2,500. The NCPG application must contain all required information and be submitted by the specified deadline in order to receive consideration for funding. NCPG applications are then provided to the Grant Review Committee for review and evaluation based on established criteria (project need, applicant capacity, project quality and operational feasibility). The Division Director provides final approval for all award recommendations obtained from the committee.

As of July 1, 2016, the MANW Department transitioned from the Parks and Neighborhoods Division to the Police Services Division. Also, NCPG funds totaling \$55,500 were awarded to 24 NW groups during the period July 1, 2015 to April 30, 2016.

OBJECTIVES, FINDINGS & RECOMMENDATIONS

OBJECTIVE 1:

To evaluate internal controls over the Neighborhood Crime Prevention Grant (NCPG) award process.

FINDING 1:

Overall, controls over the NCPG award process were satisfactory with opportunities for improvement.

We interviewed the MANW Program Manager to understand the selection/award process. We also interviewed four members of the independent Grant Review Committee (GRC) to understand their role relative to the selection/award process. We reviewed relevant documentation (i.e., NCPG applications, evaluation forms, etc.) to ensure sufficient documentation was maintained to support successful and unsuccessful NCPG applicants.

We found that the process allowed all eligible NW groups to submit an application. We also found that there was an independent panel review team (GRC) that evaluated the applications and provided recommendations for grant funding. Based upon our fieldwork testing, we found sufficient evidence that NCPG recipients were awarded based on the NCPG process. However, we noted the following weaknesses that provide opportunities to strengthen controls to improve MANW program effectiveness and efficiency:

- There are no written policies and procedures for MANW staff and GRC to outline the practices to be followed when carrying out departmental activities, including but not limited to the NCPG award process.
- There is no process in place to ensure applicants haven't received other City funding for their proposed projects. NCPG guidance prohibits agencies from receiving funding from more than one City source for the same activity. However, the process solely relies on information disclosed by the applicant.
- NCPG guidance requires mandatory attendance at a NCPG workshop for applicant eligibility. We found that MANW management maintained documentation (i.e., participant sign in sheets) to support all workshops held during the review period. However, we noted that attendance sheets did not always contain the actual signatures of attendees; participant information was typed instead. Without participant signatures, there is no way to confirm actual attendance.
- We reviewed payment documentation (i.e., check requests) for the 24 NCPG awards and noted that the check requests were supported by invoices generated internally by MANW staff. Standard business practice requires that original invoices be generated by the payee (i.e., grantee), not by the payer (i.e., grantor).

OBJECTIVES, FINDINGS & RECOMMENDATIONS

- Although the NCPG award process includes the independent review of members that make up the GRC, we did not find evidence that they were free of conflict of interest in regards to the NCPG applications they reviewed. Additionally, there are no requirements for MANW staff or GRC members to disclose actual or potential conflicts of interest pertaining to their involvement with the NW groups represented in the NCPG applications that they review.
- We noted several conditions that increase the likelihood of misappropriation of funds by the NW groups. More specifically:
 - NCPG applicants may request National Night Out (NNO) funds throughout the year, although the actual event only occurs once on an annual basis; the first Tuesday in August.
 - A Grantee Agreement is sometimes issued at the NCPG award ceremony after the check has been presented. As a result, the grantee is allowed to receive NCPG funds prior to agreeing to comply with all terms and conditions of the NCPG award.

RECOMMENDATION(S):

We believe that adequate measures taken to address deficiencies noted herein should assist with the establishment and implementation of an effective internal control system in accordance with Tennessee Code Annotated, Section 9-18-102(a). Therefore, we recommend that MANW management:

- Develop written policies and procedures for the NCPG process to include but not be limited to:
 - NCPG outreach & promotion
 - Technical Assistance / workshops
 - Application intake & processing
 - File maintenance
 - GRC rating and ranking of applications
 - Grant Award & Disbursement
 - Grantee Monitoring & Reporting
- Develop a process to confirm whether applicants received other City funding for the same activity proposed in their applications. MANW management should consider reviewing pertinent Oracle reports (i.e. Supplier Payment, etc.) to determine if applicants received other City funding for the same activity.
- Require NCPG workshop attendees to physically sign in on NCPG attendance sheets. In addition, management should consider issuing a certificate of attendance to workshop attendees.

OBJECTIVES, FINDINGS & RECOMMENDATIONS

- Consider using other documentation as support for the NCPG check request, such as the approved grant application or project budget instead of internally generated invoices.
- Require MANW staff and GRC members to complete disclosure statements asserting their independence and lack of personal or financial interest in the applicant organizations. If any conflict of interest does exist, the affected party should disclose the conflict and abstain from participating in the NCPG process for the applicant.
- Consider restricting the National Night Out (NNO) funding to the period that immediately precedes the NNO observance.
- Ensure that the Grantee Agreement is signed prior to actual issuance of the NCPG check.

OBJECTIVES, FINDINGS & RECOMMENDATIONS

OBJECTIVE 2:

To evaluate compliance and determine whether Neighborhood Crime Prevention Grant funds (NCPG) were distributed equitably.

FINDING 2:

Overall, compliance was satisfactory and NCPG funds were distributed equitably. Auditors noted opportunities for improvement.

In addition to our interviews with MANW staff and members of the GRC, we obtained and reviewed all NCPG applications submitted during the period July 1, 2015 through April 30, 2016. We reviewed applicant files to ensure NCPG awards (24) complied with the terms and conditions outlined in the NCPG application. Our tests also included determining whether NCPG denials (10) were properly classified.

We reviewed Oracle Transaction Listing for Red Light Camera revenue and found that \$150,000 was transferred from Red Light Camera to MANW as required by Ordinance 5493, Section 21-80. We also found that all denied applicants were justifiable according to established NCPG guidance.

Although we found that one neighborhood organization had split into six (6) distinct zones that covered separate areas, we found that each met NCPG requirements and each submitted a complete application that was reviewed, rated, and recommended for award by the GRC. Therefore, we noted that NCPG funds were distributed equitably. However, we noted the following opportunities to further strengthen controls:

- NCPG guidelines limit food expense to \$200. However, one organization's food budget request of \$1,200 exceeded the established limit by \$1,000. We did not find any documentation from MANW management to justify approval of the increase.
- Some NCPG that were awarded with "Approved with Conditions and/or Modifications" status lacked supporting documentation proving that required conditions were met or modifications were made.
- Four (4) of the 24 NCPG awards were not signed by the Division Director.
- We noted calculation errors on the Ratings and Rankings forms completed by the GRC for two grant awards. In the "Need for Project" criterion, which allows a maximum of thirty (30) points, we noted one applicant received a 45, while the other received a 35. However, the errors did not unfavorably influence the decision to recommend them for NCPG awards.

OBJECTIVES, FINDINGS & RECOMMENDATIONS

- During our compliance test, we noted different organization names on NCPG documents: Application; W-9, Neighborhood Watch certification letter from MPD, MANW registration form, mandatory workshop attendance sheet, and City of Memphis check. The lack of consistency with organization names made the audit trail difficult to follow and could result in decreased accountability.

RECOMMENDATION(S)

- MANW management should ensure that GRC carefully reviews each project budget to ensure only eligible costs and activities are approved for funding. Written justification and proper approval should be maintained for any conditions that exceed established funding limits but warrant NCPG funding recommendation.
- Prior to issuing the final grant, MANW management should ensure that all outstanding questions, conditions or modifications are fully addressed, cleared, and documented.
- All NCPG awards should be signed by the Division Director or authorized designee.
- MANW management should ensure that GRC perform a quality control review of the Ratings and Rankings form for accuracy prior to finalizing NCPG award recommendations. MANW management should also consider establishing minimum scores for grant funding.
- MANW management should ensure name consistency on documents used to validate the NCPG application (i.e., application, W-9, MANW registration, NW letter from MPD, etc.).

APPENDIX

Management's Response

2017

Response

[THE NEIGHBORHOOD CRIME PREVENTION GRANT]

This document provides adjustments that have been made as a result of recommendations to strengthen the neighborhood crime prevention grant guidelines and process.

Recommendation	Notes	Adjustments
<p>Develop written policies and procedures for the NCPG process</p>		<p>NCPG Policy and Procedures Draft attached.</p>
<p>Develop a process to confirm whether applicants received other City funding for the same activity/proposed in their applications. MANW management should consider reviewing pertinent Oracle reports (i.e. Supplier Payment, etc.) to determine if applicants received other City funding for the same activity.</p>	<p>D. Hooker to approve and ensure this access.</p>	<p>Requested access to Oracle reports.</p>
<p>Require NCPG workshop attendees to physically sign in on NCPG attendance sheets. In addition, management should consider issuing a certificate of attendance to workshop attendees.</p>		<p>Mandatory "sign-in required" language was added to the NCPG Guidelines. Additionally, a certificate of attendance was created and will be given at these workshops.</p>
<p>Consider using other documentation as support for the NCPG check request, such as the approved grant application or project budget instead of internally generated invoices.</p>		<p>W-9, the Group Rating and Ranking Form will be turned in with each check request as part of the invoice.</p>
<p>Require MANW staff and GRC members to complete disclosure statements asserting their independence and lack of financial interest in the applicant organizations. If any financial interest does exist, the affected</p>		<p>Disclosure statement created for Grant Review Committee members to sign.</p>

<p>party should disclose the conflict and abstain from participating in the NCPG process for the applicant.</p>		
<p>Consider restricting the National Night Out (NNO) funding to the period that immediately precedes the NNO observance.</p>		<p>Eligibility Checklist created for future use.</p>
<p>Ensure that the Grantee Agreement is signed prior to actual issuance of the NCPG check.</p>		<p>Language has been included in the guidelines to reflect that all approved applications require the Grantee Agreement to be signed prior to the actual issuance of the check.</p>
<p>During our compliance test, we noted different organization names on the following documents: Application; W-9, Neighborhood Watch certification letter from MPD, MANW registration form, mandatory workshop attendance sheet, and City of Memphis check. The lack of consistency with organization names made the audit trail difficult to follow and could result in decreased accountability.</p>		<p>Language has been included in the guidelines requesting groups to use the same group name throughout the process.</p>
<p>MANW management should ensure that GRC perform a quality control review of the Ratings and Rankings form for accuracy prior to finalizing NCPG award recommendations. MANW management should also consider establishing minimum scores for grant funding.</p>		<p>Quality Control Checklist created for GRC forms review to be used by MANW management. A total score of 70 has been established for the minimum approval score.</p>
<p>NCPG guidelines limit food expense to</p>		<p>Eligibility Checklist created for</p>

<p>\$200. However, one organization's food budget request of \$1,200 exceeded the established limit by \$1,000. We did not find any documentation from MANW management to justify approval of the increase.</p>		<p>future use by MANW management.</p>
<p>Some NCPG that were awarded with "Approved with Conditions and/or Modifications" status lacked supporting documentation proving that required conditions were met or modifications were made.</p>		<p>Quality Control Checklist created for GRC forms review to be used by MANW management.</p>
<p>Four (4) of the 24 NCPG awards were not signed by the Division Director.</p>		<p>Quality Control Checklist created for GRC forms review to be used by MANW management.</p>
<p>We noted calculation errors on the Ratings and Rankings forms completed by the GRC for two grant awards. In the "Need for Project" criterion, which allows a maximum of thirty (30) points, we noted one applicant received a 45, while the other received a 35. However, the errors did not unfavorably influence the decision to recommend them for NCPG awards.</p>		<p>Quality Control Checklist created for GRC forms review to be used by MANW management.</p>