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October 1, 2013

Michael C. Green
Executive Deputy Commissioner
New York State Division of Criminal Justice Services
Alfred E. Smith Building
80 South Swan St.
Albany, New York 12210

Re: NYSIG 1568-022-2010

Dear Executive Deputy Commissioner Green:

My office received a complaint alleging that the Buffalo Economic Renaissance Corporation (BERC) improperly used Division of Criminal Justice Services (DCJS) re-entry grant funds. The investigation of the matter substantiated this allegation and further determined that a DCJS grant to Erie County was also implicated.

In 2007, BERC was awarded DCJS re-entry grant BJ05912830 for the period September 1, 2007, to August 31, 2009. The grant was to fund re-entry services to inmates released on parole from Orleans Correctional Facility to the City of Buffalo. During that same period, the Erie County Department of Mental Health received DCJS funds (grant SA08489984) for re-entry services in Erie County. This investigation found that Erie County provided funds from its grant to BERC by improperly utilizing a third party vendor, Saving Grace Ministries, as a "pass through."

The pass through of DCJS funds from Erie County to Saving Grace Ministries to BERC was improper and a breach of the contract between DCJS and Erie County. Paragraph 24 of the contract states, in pertinent part:

None of the goals, objectives or tasks set forth in Appendix D shall be subawarded to another organization without specific prior written approval by DCJS. Where the intention to make subawards is clearly indicated in the application, DCJS' approval is deemed given, if these activities are funded as proposed.

The investigation specifically found that in late June 2009, Saving Grace Ministries entered into a Memorandum of Understanding (MOU) with BERC to pay BERC \$38,784 for the re-entry services that BERC was performing under its DCJS grant. On June 29, 2009, Saving Grace Ministries billed Erie County \$38,784. On November 20, 2009, Erie County paid this bill, and on November 27, 2009, Saving Grace Ministries sent a check to BERC in the same amount of \$38,784. This was clearly a transfer of funds from Erie County to BERC using Saving Grace Ministries as a "pass through."

██████████ the Coordinator of Re-entry Systems Initiatives in the Erie County Department of Mental Health during this period, advised my office that he was contacted by ██████████ the Director of BERC, in 2009. ██████████ told ██████████ that the BERC re-entry program did not have sufficient funds to continue and asked if Erie County re-entry task force monies could be used for recently released inmates to complete the program. ██████████ explained that the county could not provide the money to BERC without passing the money through Saving Grace Ministries, which had an existing contract with the county at the time to provide housing services.

██████████ claimed that he contacted ██████████ the Assistant Director of Re-entry Services at DCJS, and that ██████████ approved the transfer. ██████████ then provided BERC the funds by passing it through Saving Grace Ministries to BERC. When questioned, ██████████ claimed that he had no knowledge of the transfer and would not have approved it. Similarly, ██████████ who previously worked at DCJS as a Criminal Justice Policy Analyst and was responsible for overseeing both grants, stated that he had no knowledge of this pass through.

A review of BERC's reports to DCJS shows that BERC reported the \$38,784 as matching funds and that the monies appear to have been used for program funding. Neither Erie County's nor BERC's DCJS grant file contained any written request or approval of this pass through.

Despite ██████████ and ██████████ representation that they were unaware of this pass through and would not have approved it, a copy of the MOU between Saving Grace Ministries and BERC for the \$38,784 was found in the DCJS file for the Erie County grant. No explanation of the relevance of this MOU in the DCJS file or how it came to be there was contained in the file. Its presence, however, lends support to ██████████ claim that DCJS was aware of this pass through of the grant monies.

At a minimum, the presence of the MOU in DCJS's Erie County file should have caused DCJS personnel responsible for overseeing this grant to question the transfer of money to Saving Grace Ministries. In addition, the DCJS personnel who oversaw the BERC grant should have questioned the increase in matching funds reported by BERC for the quarter in which the funds were transferred. Had DCJS personnel done either, they would have discovered that the Erie County Department of Mental Health improperly passed grant monies through Saving Grace Ministries to BERC.

I recommend that DCJS provide training and implement tighter controls over the administration of grant money, including regular audits. Additionally, DCJS should review existing grants to ensure that any similar pass through transactions have not occurred.

Within 45 days of the date of this letter, please provide information concerning DCJS's actions, including copies of any revised policies. If you have any questions, you can contact me at (518) 474-1010.

Sincerely,



Catherine Leahy Scott
Inspector General